Survey With Small And Medium Enterprises

On The Perception Of Extractive Industries In Cambodia

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The Survey with Small and Medium Businesses on the Perception of Extractive Industries in Cambodia is sponsored by Cambodians for Revenue Resource Transparency (CRRT), and implemented by the Economic Institute of Cambodia (EIC)

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LIST OF ABBREVIATIONS AND ACRONYMS

BAT	Battambang
CNPA	Cambodian National Petroleum Authority
CRRT	Cambodians for Resource Revenue Transparency
EI	Extractive Industries
EIC	Economic Institute of Cambodia
FGD	Focus Group Discussion
IFC	International Finance Corporation
IMF	International Monetary Funds
KDL	Kandal
KPC	Kampong Cham
MEF	Ministry of Economy and Finance
MIME	Ministry of Industries, Mines and Energy
NIS	National Institute Statistics
NSDP	National Strategic Development Plan
PNP	Phnom Penh
RGC	Royal Government of Cambodia
SMEs	Small and Medium Enterprises
SMI	Small and Medium Industries
UNDP	United Nations Development Program
US$	US Dollars
WB	World Bank
WEF	World Economic Forum

FORWARD

Extractive Industries (EI) could attract large opportunities to the country which could significantly impact the country's economy. Revenue generated from EI can be seen as a blessing or a curse to the Cambodian economy, dependent upon the proper and transparent use of revenue from this sector. This report, "Survey on Small and Medium Enterprises (SMEs) on the Perceptions of Extractive Industries in Cambodia", provides relevant insights into the awareness and perceptions of SME owners and representatives towards EI in Cambodia, which would be helpful for policy makers to design an appropriate policy framework for the effective use of the revenues from the sector.

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EXECUTIVE SUMMARY

Despite unclear information related to Extractive Industries (EI) in Cambodia, local and international economists agree that the expected revenue from this sector could have significant economic impacts. EI would attract large opportunities to the country, yet may also bring the country to great risks if management, policy and enforcement were not in place. Small and medium enterprises (SMEs) have been largely contributing to Cambodia's employment and are playing a greater role in the future of the country's innovation, economic diversification, and economic growth. It has been predicted that the revenue from EI could significantly affect the country's economy, and this revenue could also impact the business progress of SMEs. Thus, it would be helpful for policy makers to understand the perceptions and suggestions of SMEs, in order to design an appropriate policy framework for the effective use of revenues from EI.

In this regard, the study has proposed to undertake a baseline study which involves the design and implementation of an opinion survey with businessmen from SMEs. The overall objective of the study aims to obtain a better understanding of the perceptions of SME owners. The study focuses on whether these individuals believe new resource revenues entering the Cambodian economy, from oil/gas/mining, would be beneficial or harmful to their businesses, the overall business environment and the general population.

Both quantitative and qualitative methods were used for data collection and analysis for this study. A questionnaire was prepared for face-to-face interviews, with 548 SME owners and representatives in a total of 16 provinces in Cambodia. Provinces with more than 200 SMEs were chosen. Focus group discussions were conducted in 3 areas: Battambong, Kampong Cham and Phnom Penh, and the sample was randomly selected.

SME Business Prospects

Surveyed SMEs were asked to provide opinions on the progress of their current business and to predict business outlook for the next 5 years. This information was used to assess their business situation and their perspective on the economy as a whole. Half stated that their current business, if compared to business in the last 5 years, was in a better position. One-third of surveyed SMEs, however, mentioned that the progress of their current business was worse. Positive current business growth, as confirmed by surveyed SMEs, was due to an increase in the demand of products/services offered by the SMEs. The country's positive economic growth was also another reason for current business growth. Interestingly, most surveyed SMEs (67.6%) predicted that their future business would grow positively in the next 5 years because Cambodia would be in a better economic situation; in turn, being beneficial for their businesses.

Respondents were then asked to focus on the 3 greatest external factors thought to be contributing to and impeding the success of their SMEs. Interviewed respondents perceived that 'Economics' played the most important role for their businesses' success or failure. More specifically, economic growth would most likely impact their businesses positively, while an economic crisis or downturn would be a constraint for business growth.

SME Awareness on Extractive Industries in Cambodia

Familiarity with the term 'Extractive Industries', which is comprised of crude oil, natural gas and mining, was very low among interviewed SMEs. However, when asked about specific industries (e.g. crude oil, natural gas and mining), more stated to have heard of the three industries although natural gas was least known.

Although more than half of the surveyed SMEs were familiar with the crude oil and mining industries, their levels of awareness were low. The level of familiarity for natural gas was even lower among the surveyed SMEs, if compared to the level of familiarity with crude oil and mining. Respondents were familiar with information concerning the location of the crude oil, which is along the coastal areas, and mining exploration, which is in some provinces of Cambodia (e.g. Ratanak Kiri, Mondul Kiri, Pailin, etc). Given the low level of familiarity with natural gas, the information provided by respondents was sparse and quite general; respondents mentioned general information, such as the existence of these resources in Cambodia, and areas where natural gas is being explored, but they did not include exact locations.

Surveyed SMEs mostly received information about these industries through media, such as TV and radio, and through word-of-mouth communication. The question concerns the accuracy and reliability of the information broadcast through these resources. It was generally observed that information about EI has also been disseminated through formal reports and published documents, by reliable sources such as UNDP, IMF and the World Bank. However, it is interesting to find that these resources were not mentioned at all by surveyed SMEs.

Furthermore, certain specific information was not clear to these SMEs. For example, approximately half of the surveyed SMEs who were familiar with at least one of the industries did not know whether the government had generated revenues from EI. Among those that believed the government had received revenue from these industries, or would do so in the future, did not know the exact amount. Only several of the surveyed SMEs reported amounts; however, these answers varied greatly, from US$5,000 to US$500,000,000 per annum.

Although most could not provide the exact amount of revenue to be received by the government, they did reveal the sources where information was gathered, such as TV, radio, newspapers and word-of-mouth communication. This may be because the sources did not reveal specific amounts or surveyed SMEs could not recall these amounts. However, it should be noted that some local newspapers and magazines have quoted these amounts from the aforementioned reliable sources (e.g. UNDP, IMF and World Bank). Nevertheless, it may not have been understood that these amounts were based upon estimated figures. Moreover, the local media has often reported several amounts, but the information has not been officially confirmed. This may explain why surveyed SMEs provided various answers.

Information about the names and activities of organizations / institutes / companies conducting work related to EI was also not clear to respondents. When asked to list these companies and organizations, most could not provide names, but could provide the country of establishment. It was found that those companies listed were actually not conducting activities related to crude oil in Cambodia. Surveyed SMEs may not have been able to clearly remember; thus, providing wrong names. Confusion may have also occurred as surveyed SMEs listed companies which often distribute the final products of crude oil.

Among the interviewed SMEs who were familiar with at least one of these industries, nearly all were not aware of the current development of crude oil, natural gas and mining. The current development refers to many processes involved in the exploration and extraction of these resources, starting from the opening of blocks/areas for bidding to the issuance of licenses to explore and extract. Moreover, interviewed SMEs were not aware of the activities of licensed companies either. While some surveyed SMEs confirmed that they held no interest in this information and that it was not relevant to their businesses, most others, more interestingly, stated that they had never heard of this information being disseminated at all.

A majority of surveyed SMEs wished to gain knowledge about these sectors, as many had no knowledge of the crude oil, natural gas and mining industries in Cambodia. The most appealing information, according to surveyed SMEs, included that which was related to exploration and production and the benefits it may produce, which also includes information on potential revenue. Surveyed SMEs also wish to know the processes of exploration, extraction and final production. In conjunction with the information regarding generated revenue, surveyed SMEs would expect to learn more about how these revenues would be managed and used.

SME Understanding and Views Toward EI's Possible Impact

The development of these industries may have an impact on many issues which, for this study, includes: the business of SMEs, overall business climate, general public and environment. A high percentage of surveyed SMEs, with some knowledge of at least one of the industries, sensed that the general public and the environment would be most impacted. Interestingly, about half considered that this development would not have any impact on their businesses, as well as other businesses. A significant proportion, however, still perceived there would be positive impacts on their own businesses, other businesses and the general public. Respondents, nonetheless, considered the environment as more likely to suffer negative impacts as a result of this development.

Most interviewed SMEs believed that the general economy could be affected by the potentially large revenue sources from EI (i.e. surveyed SMEs believed this potential revenue could cause significant positive or negative growth).

In sum, the expectations of interviewed SMEs were high. Most believed that potential revenue would affect the general economy and these effects, in turn, would improve their current individual situations. However, it should also be noted that the expectations of these impacts may be far too great. For example, most believed that potential EI revenue would, to some extent, decrease the price of gasoline and diesel on the market. Another unfounded expectation was the belief that this potential revenue would decrease inflation, as a result of the decreased price of gasoline and the government's intervention to stabilize market prices.

In fact, it is still in question whether potential EI revenue can actually decrease the price of gasoline. Firstly, the price of gasoline is determined by the international market, and although Cambodia has the necessary raw materials, building factories to convert this raw material into a final product is a long and costly process. Therefore, it is expected that Cambodia could only export raw material, in order for the final product to be processed in other countries. In the end, after the final product has been produced, Cambodia would then need to import gasoline and diesel from the countries which actually processed the final product. Moreover, this price reduction depends on gasoline/diesel distributors in Cambodia, who were found to charge approximately 7 times more, per litre, than distributors in Thailand and Vietnam. It is possible that the government intervene to control the general price of goods; however, it is also possible that demand would rise after general prices decline; thus, increasing inflation.

Interestingly, corruption seems to be a dilemma for surveyed SMEs. Slightly more than half of the surveyed SMEs, who thought there would be an impact from potential revenues, trusted that corruption would decrease. However, it should be noted that nearly half still perceived that corruption would increase.

Suggestions and Recommendations from SMEs

SMEs also provided suggestions concerning the effective use of potential revenues from EI, in order to benefit their own businesses, other businesses and citizens. The majority of surveyed SMEs, who were familiar with at least one of the industries, suggested that some revenue be saved for future spending (the concept of a Petroleum Fund mechanism), rather than being spent all at once. The Petroleum Fund was preferred because it would be used to support and develop the country's next generations, as well as to solve future economic crises. It could also be used in times of natural disasters. Some surveyed SMEs reasoned that Cambodia may not always obtain revenue from this sector, as resources may be exhausted one day. Therefore, the fund could be used to solve problems after these resources were no longer available.

However, it seems that the concept of a Petroleum Fund was not totally understood by surveyed SMEs. Firstly, none of the interviewed SMEs suggested using the fund to invest; thus, resulting in greater profits. Adding to this point, none mentioned these savings throughout the interview process; this was only mentioned when asked. Therefore, more information on the advantages and disadvantages of a Petroleum Fund should be disseminated, so people may have more knowledge and make better judgments about EI's revenue management.

It is noteworthy that only 38% of the interviewed SMEs believed that the government would be able to manage the revenue generated from these industries. One-third did not think the government could manage these revenues at all. Moreover, most respondents voted to have an independent committee to manage this potential revenue source. A small proportion of surveyed SMEs, who did not think it was necessary to form another committee, stated that the government already has a number of existing committees, such as the Ministry of Economy and Finance and the Cambodian National Petroleum Fund Authority, which are currently managing exploration activities and revenue. However, those who voted to have an independent committee believed that it could manage revenue with more fairness, independence, and effectiveness, while keeping accurate records. A significant proportion of surveyed SMEs believed that this committee could reduce corruption to some extent. Additionally, there is the expectation that this committee would also disseminate information on incomes and expenses, in order to show more transparency.

Surveyed SMEs made similar suggestions regarding the use of potentially large sources of revenue, which could benefit their own businesses, overall businesses and the general population. Most surveyed SMEs suggested that the revenue be used to develop and improve infrastructure and other prioritized sectors. To benefit their own businesses, surveyed SMEs perceived that the revenue should be used to reduce the price of gasoline/diesel in the market and to reduce taxes. To benefit citizens, this revenue should be used to generate more jobs, as well as to reduce the price of gasoline.

Conclusions and Recommendations

EI – which is comprised of crude oil, natural gas and mining – could possibly generate a great amount of revenue for Cambodia. However, this revenue could be a blessing or a curse to the country, depending upon the management and policy of how revenues are used. SMEs, which have been playing a greater role in the future of the country's economic diversification and growth, should have a say in how this revenue should be used to positively affect business and the general public as a whole.

SMEs, and the general public, are not commonly familiar with the term 'Extractive Industries'. However, EI's sectors, except for natural gas, have been wide-spread in Cambodia, in recent years. Nevertheless, the level of familiarity of these industries is low. Additionally, certain information was not clear to surveyed SMEs, which included: the revenue generated from EI; the activities of licensed companies to extract resources; and, the current activities to develop EI.

This low level of familiarity may be due to a number of varying causes. Firstly, insufficient information related to current EI development seems to be one of the main causes limiting the awareness levels of surveyed SMEs. A high majority of surveyed SMEs declared that they had never heard any news related to the process of bidding and selecting companies. On the other hand, they have heard the names of companies which have already received licenses. Moreover, misinformation from the media and/or from word-of-mouth communication seems to be a cause as well. The media often quoted revenue figures from reliable sources, without clearly stating that these were estimates and not actual figures. Lastly, it seems that some surveyed SMEs were not interested in this news, as they are occupied in operating their own businesses. Information, however, would be of interest to them if they knew the exact benefits gained from knowing such information; or more precisely, if it was explained how EI could potentially benefit or harm their businesses.

Interviewed SMEs expressed high expectations regarding the positive impact from potential revenue sources, including: decreases in inflation and the price of gasoline. These, however, may be far too great and there is an urgent need to lower and manage public expectations.

For the management of EI revenue, majority of surveyed SMEs thought that a portion of these revenues should be saved. However, this mechanism of EI revenue saving, or a so-called Petroleum Fund, did not seem to be clearly understood by respondents; thus, limiting their knowledge of this mechanism.

Based on the findings, government, policy makers, civil society, development partners and concerned stakeholders, should understand that the perceptions of SMEs are highly associated with their awareness of the issue. Thus, the following recommendations—which serve as helpful input for the government when designing a relevant policy framework—have been made as follows:

- The term 'Extractive Industries' must be more widely spread and used at the national level, as it was found that surveyed SMEs were not commonly familiar with the term. If jointly conducted by the RGC and representatives from civil society, the program would have a high degree of credibility and acceptance from the Cambodian public.
- More awareness-raising, concerning general information of EI and its development process, is needed. The Cambodian National Petroleum Authority and the Cambodian civil society

could work together with the RGC to consistently and accurately disseminate the following information: the location of exploration; the estimated amount of production; the way in which exploration/production occurs; and, the companies extracting these resources. The methods to raise awareness about these industries, among SMEs, should also be considered. It is recommended that media, such as TV and radio, be used as the main tool to disseminate information to this group, as these were the most referenced sources of information from respondents. Apart from these, it would also be useful to directly disseminate information to the local communities where SMEs are operating, as they are usually occupied with their own businesses and may not have time for other media.

- Revenue generated from this sector, as thought to be positively affecting SME business, is one of the most desired pieces of information, and it should be widely disseminated. It is also necessary to clearly state how this revenue has been generated, as it is generally from the issuance of licenses, rentals, taxes, shares, and royalties. The RGC could consistently and accurately disseminate information about revenues derived from oil, gas and mining in a disaggregated manner, i.e. stating different sources of revenue to maximize credibility. Furthermore, media and civil society groups, working within this sector, should disseminate reliable information about these revenues with accurate sources of information; thus, avoiding misunderstandings by the public.

- The way in which revenue is managed should also be disseminated. Therefore, information regarding a Petroleum Fund, and an independent committee to manage revenue, should be disseminated to SMEs and the general public. This would allow stakeholders to have enough information, before voting for one particular mechanism. It is noteworthy that when the concept of a Petroleum Fund was introduced to respondents, the majority of surveyed SMEs preferred this revenue management concept. Therefore, the RGC could potentially establish an independently-managed Cambodian Petroleum Fund and create an independent committee to oversee its activities.

- It is highly recommended that public expectations of EI and all associated revenue be managed accordingly, especially when expectations are not in line with general practice, i.e. decreases in the price of gasoline and inflation. Therefore, it is recommended that the RGC develop a public service announcement to correct these perceptions and information to appropriately inform the Cambodian public.

- Lastly, based on the suggestions made by surveyed SMEs, the RGC should commit to utilizing revenues derived from this sector to improve specific infrastructure in Cambodia, in addition to the current national development program. The revenues should be used to create more and better-paying jobs (perhaps supported by a national training program to provide well-trained workers for EI companies in Cambodia), as well as to reduce the price of gasoline and reduce taxes.

Why this Study?

Although Extractive Industries in Cambodia should have been naturally evolving for a long time, the first time that the Cambodian government granted exploration rights to foreign firms was in 1965. It was not until 1991 that the first license for exploration was announced. Even though an extensive amount of research was conducted to estimate the amount of resources to be extracted, no drilling activities were conducted until 2004 (EIC, 2008). However, the exact information regarding the amount which could be explored and extracted from these resources has never been officially announced and publicly disseminated.

Revenue from EI has never been officially confirmed either. The media has been disseminating information about the large potential sources revenue to be generated from EI; yet, this reported amount is quite varied, with a great gap from millions to billions of US dollars. For the most part, it seems that most EI-related information has not been clear. Thus, there seems to be a need for clear and reliable sources which can disseminate official news to the public, in order to prevent misinformation.

Despite unclear information related to EI in Cambodia, local and international economists agree that the expected revenue from this sector could have significant economic impacts. EI, as a non-renewable resource, would attract large opportunities to the country, yet may also bring the country to great risks if management, policy and enforcement were not in place, as these have been shown as examples from other resource-rich developing countries (UNDP, 2006). Revenue generated from EI can be seen as a blessing or a curse to the Cambodian economy, dependent upon the proper and transparent use of revenues from this sector.

Small and medium enterprises (SMEs) are a vital group of economic stakeholders, which have been largely contributing to Cambodia's employment and are playing a greater role in the future of the country's innovation, economic diversification, and economic growth. The private sector, in which SMEs are operating, is the key to the development of Cambodia and is the main reason for its rapid economic growth experienced in recent years. According to the International Financial Corporation, the private sector absorbs 92% of employment in Cambodia, and largely contributed to the average economic growth of 10% per annum in recent years (IFC, 2006).

It has been predicted that the revenue from EI could significantly affect the country's economy, and this revenue could also impact the business progress of SMEs. Many publications, including "Small and Medium Enterprise Development Framework" (SME Secretariat, 2005), and "A Better Business Climate to Sustain Growth in Cambodia" (IFC and WB, 2009), stated that a key factor to smooth the business progress of SMEs and businesses within the private sector, is to reduce the costs of doing business, as local SMEs have been facing competition both locally and regionally. At the macro-level, basic requirements for growth comprise of four pillars: public and private institutions, infrastructure, the macro economy, and health and primary education (WEF, 2010). This means the country's economy directly and indirectly affects the business growth of SMEs, and SMEs play a part in contributing to the country's economic growth.

Thus, it would be helpful for policy makers to understand the perceptions and suggestions of SMEs, in order to design an appropriate policy framework for the effective use of revenues from EI; therefore, possibly affecting the Cambodian economy in a positive way, especially concerning issues related to the effects EI would have on businesses. The understandings and perceptions of SME owners/representatives, over these issues, are most likely to provide ideas on how EI should be managed, how revenue generated from EI should be used, and how and what information related to EI should be disseminated.

In light of the above mentioned objectives, the Cambodians for Resource Revenue Transparency (CRRT) has proposed to undertake a baseline study which involves the design and implementation of an opinion survey with businessmen from SMEs, in order to assess their economic situation and their perceptions related to the progress and potential impact that EI development could have on their businesses, as well as on the general business environment and the public.

Objectives of the Study

The overall objective of the study aims to obtain a better understanding of the perceptions of SME owners. The study will focus on whether these individuals believe new resource revenues entering the Cambodian economy, from oil/gas/mining, would be beneficial or harmful to their businesses, the overall business environment and the general population. Thus, the study will be used to assess the following:

- Perceptions of SME owners on their current business progress and their economic outlook for the next five years;
- Awareness and perception of SME owners on the current development of EI in Cambodia;
- Perceptions of SME owners regarding the potential impact that the current development of the EI and its potential revenue will have on the overall business climate, their business activities, and the general population in Cambodia;
- And finally, opinions of SME owners on how revenue from EI should be used to benefit businesses and the general Cambodian population.

To reach the objectives of the study, a wide range of research methodologies were used, including desk review on available sources about EI and SMEs in Cambodia, quantitative and qualitative survey. For quantitative, a questionnaire was designed to conduct face-to-face interviews with a sample of 548 SME owners and representatives in 16 provinces in Cambodia which contains more than 200 SMEs. For qualitative, a total of 3 focus group discussions (FGDs) with SME owners and representatives were conducted within the three Cambodian provinces with the largest number of SMEs i.e. Phnom Penh, Kampong Cham and Battambang (see more detailed methodology in Appendix I).

Although the entire proposed sample was met, the response rate for certain questions was less than 100% for a number of reasons, including but not limited to: (1) a lack of knowledge by respondents and (2) information being deemed too sensitive for sharing, by the respondent. Accordingly, response rates were noted during data analysis and will be mentioned throughout the report.

Data, below, are classified into different types, including: province, sector and gender of SME owners. However, not all data was classified by these three types; only data categorized by province, sector and/or gender of SME owners which presented remarkable figures were classified and demonstrated in the findings. Provinces were grouped based on the number to be interviewed in each province. Provinces, namely Phnom Penh, Kandal, Kampong Cham and Battambang, with more than 50 respondents for this study are shown. Provinces with less than 50 interviewed SMEs were grouped together and titled as 'Others'. Types of SMEs were grouped by economic sector: Manufacturing, Service, and Trade. Manufacturing includes SMEs operating in construction; the manufacture of food, beverage and tobacco; other manufacturing besides food, beverage and tobacco; and rice milling. Service includes education; health; transportation; accommodation; service (restaurant, tour companies). Trade refers to wholesale and retailing.

1 CHAPTER Situation of SMEs and Their Business Prospects in the Next Five Years

Respondents were asked about their current business' progress compared to the last five years and their outlook on business growth in the next five years, as well as the factors they think may contribute to and may impede their business' success. This information was used to assess their business situation and their perspective on the economy as a whole.

1.1 Businesses' Progress Compared to the Last Five Years

545 out of 548 answered to the question when asked to compare their current business progress to the last five years. They were asked to rank on a scale from 1 to 5 – in which 1 is much worse, 2 is worse, 3 is the same, 4 is better and 5 is much better. A majority (49.9%) stated that their current business is better or much better than the previous five years (i.e. ranking of 4 or 5). Only 29.7% claimed that their business is worse or much worse than the last 5 years. Based upon the answers provided by respondents (see Table 1), positive business growth can be seen, as compared to previous years.

Respondents were also asked to provide reasons of why they gave a particular ranking on business progress. Reasons of improved business growth (i.e. better or much better) were grouped together, while reasons for decreases (i.e. worse or much worse) were grouped together. Respondents who stated that their business' progress is the same also provided reasons. It was found that the reasons for positive or negative growth were partly similar; thus, this information has not been presented here. Among 272 respondents providing 293 responses, a majority of respondents (51.8%) attributed improved growth to increased demand on their business. Improved trust in service and quality was also given as another reason for business growth, with 32.4% stating so. Notably, 8.8% said that their current business growth was because of a better economic situation in the country, while 58.6% (out of 162 respondents providing 180 responses) claimed that the economic downturn was the reason for their worse or much worse business situation.

Table 1: Business Progress Compared to the Last Five Years

Situation	N	%
Much worse	9	1.7
Worse	153	28.0
The same	111	20.4
Better	260	47.7
Much better	12	2.2
Total	**545**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

1.2 Businesses' Outlook for the Next Five Years

Respondents were then asked to predict their business growth in the next 5 years. Although almost 30.0 % of respondents declared that their businesses were experiencing trends of negative growth compared to the last 5 years (see Table 1), only 0.8% out of 516 respondents predicted that their businesses would close, while 9.5% would continue experiencing a downturn (see Table 2). Of the same number of respondents, 67.6% believed that their businesses would improve (i.e. growth or strong growth) in the next 5 years. This implies that respondents perceived their future business situation as better.

When asked to provide reasons for giving a particular rank, 45.9% of 349 respondents providing 360 responses perceived that the economic situation would be better, and thus, beneficial to their businesses. The rest focused more on internal factors such as good management (10.9%), better service and products (4.9%), and good strategic business plans (2.6%). Less than 10% revealed their plan for extending their business. Respondents who predicted their future business to be declining or closing said that it could be because of the economic downturn and more competition (37.8% each, out of 53 respondents providing 55 responses). Interestingly, none of the respondents stated any internal factors that may lead to business contraction in the next 5 years.

Table 2: Businesses' Outlook for the Next Five Years

Situation	N	%
Close	4	0.8
Downturn	49	9.5
Stable	114	22.1
Growth	309	59.9
Strong growth	40	7.8
Total	**516**	**100.0**

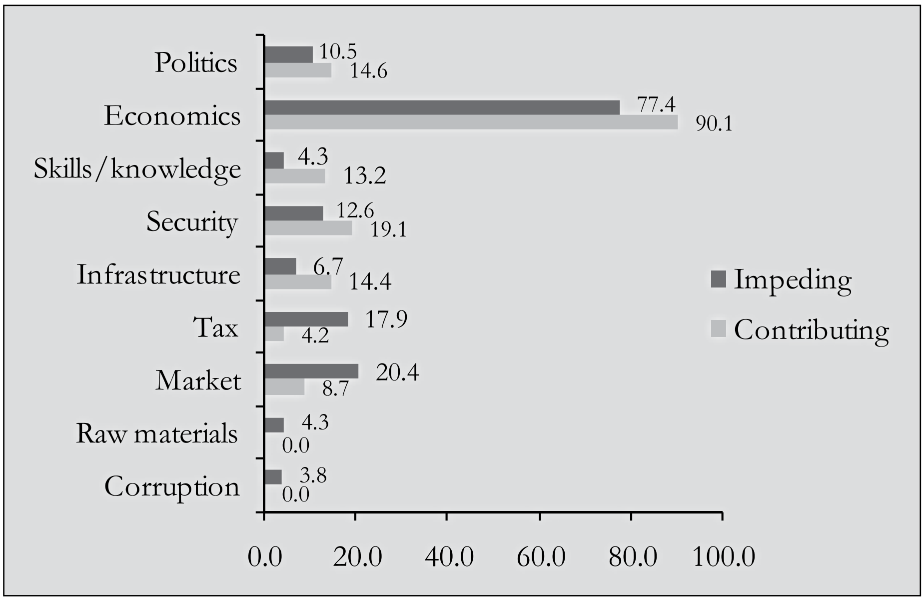
Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Notably, 6 out of 9 respondents (66.7%) perceived the future of their businesses to be growing, although they think their current progress is worse. Although they think their current business is better than the last 5 years, 11 out of 247 (4.5%) believe that they will experience a downturn in the next 5 years. The rest claim that business will be either stable or growing.

1.3 External Factors Contributing to and Impeding Business Success

Respondents were asked to focus on the 3 greatest external factors thought to be contributing to and impeding the success of their SMEs. Out of 548 respondents, 425 mentioned contributing factors and 446 impeding factors. The figure below shows that 'Economics' played the most important role in their business success. More specifically, economic growth would most likely impact their business positively (90.1%), while an economic crisis or downturn would be a constraint for their business growth (77.4%). While the products and/or services of the interviewed SMEs may contribute to business growth (8.7%), the market can be more of a constraint to their business environment (20.4%). Similarly, the cost of raw materials and corruption may not be a contributing factor (0.0% for both), but a hindering factor (4.3% and 3.8%, respectively). Skills/knowledge in the same figure (Figure 1) refers to skills and knowledge of the citizen. With a great difference in percentage, it was thought to be less likely to impede the success of SMEs, but more likely to contribute to business success.

Figure 1: Factors Contributing and Impeding Business Success (%)



Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

2
CHAPTER

SME Awareness on EI

This section assesses respondents' awareness levels of the Extractive Industries in Cambodia. The section will look at respondents' familiarities with crude oil, natural gas and mining, as well as their actual level of familiarity, respondents' knowledge about EI's revenue, respondents' knowledge of companies / organizations working in relation to EI, and so on.

2.1. Familiarity with Crude Oil, Natural Gas and Mining and Extractive Industries

Familiarity

Extractive Industries are comprised of crude oil, natural gas and mining (UNDP, 2010). However, it is believed that the term 'Extractive Industries' is not well known and popularly used in Cambodia. Therefore, instead of asking respondents whether they are familiar with the term 'Extractive Industries', respondents were asked whether they have heard of the development of the crude oil, natural gas and mining industry in Cambodia. When asked, it was found that many have heard of the mining industry (63.7%) slightly more than the crude oil industry (62.4%). The least known industry was natural gas, in which only 23.4% of respondents stated their familiarity.

Respondents were also asked to confirm their level of familiarity with the term 'Extractive Industries', however, this level was quite low among the sample. As expected, a very small percentage of respondents (1.8%; or, 10 out of 548 respondents, among which 5 were from Phnom Penh) heard / knew about Extractive Industries development in Cambodia.

Respondents who had heard / known about all industries – crude oil, natural gas and mining – but were not aware of the actual term 'Extractive Industries', were also included in the same table (Table 3). Of the 548 respondents, 43.9% were aware of all three industries. In the case that respondents were not aware (56.1%), they were not asked to further assess their awareness levels of these three industries. However, questions were still asked to assess their opinions on the possible impact that these industries could have on the business of SMEs and the general population, as well as their suggestions and recommendations for these industries (refer to *Section: SMEs Who Know Nothing About Crude Oil, Natural Gas and Mining Industry)*. Respondents who had not heard of the development of the crude oil, natural gas and/or mining industry in Cambodia were further asked of their desire to know more about these industries (see *Section: 2.6. Desire to Know More about EI in* Cambodia).

Table 3: Hearing/Knowing About Crude Oil, Natural Gas, Mining and the Term 'Extractive Industries', in Cambodia

Whether the respondents have heard of…	No		Yes		Total	
	N	%	N	%	N	%
Crude Oil	206	37.6	342	62.4	548	100.0
Natural Gas	420	76.6	128	23.4	548	100.0
Mining	199	36.3	349	63.7	548	100.0
Extractive Industries	538	98.2	10	1.8	548	100.0
Crude oil, natural gas and mining	152	56.1	119	43.9	271	100.0

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Level of familiarity

Respondents were then asked about their level of familiarity of the crude oil, natural gas and mining industries separately. A ranking scale for familiarity was provided from 1 to 5, in which 1 is very unfamiliar, 2 –less familiar, 3 – average, 4 – familiar and 5 – very familiar. Familiarity of on the development of the crude oil, natural gas and mining industry in Cambodia were all ranked separately.

Although more than 60.0% of the sample (342 out of 548) had heard about crude oil, their familiarity was still low, as 63.9% (out of 341 respondents) claimed to be less familiar and very unfamiliar. Only 12.3% were familiar or very familiar with crude oil (rating of 4 and 5). Therefore, the mean level of familiarity was lower than average, at 2.2.

Similar to familiarity with crude oil, more than 70.0% out of 128 respondents were not highly familiar with natural gas. The mean level of familiarity with natural gas was even lower than that of crude oil (2.0). This shows that not only did fewer respondents know about the natural gas industry in Cambodia as compared to crude oil, but also that they had a lower level of familiarity.

Like crude oil and natural gas, the level of familiarity with the mining industry was comparatively low, as more than 60.0% out of 349 respondents said that they were less familiar and very unfamiliar with the mining industry in Cambodia. The mean level of familiarity was the same as the mean for crude oil, but higher than that of natural gas.

Table 4: Level of Familiarity with the Crude Oil, Natural Gas and Mining industry

Level of familiarity	Crude oil		Natural gas		Mining	
	N	%	N	%	N	%
Very unfamiliar	89	26.1	51	40.5	106	30.5
Less familiar	129	37.8	39	31.0	116	33.3
Average	81	23.8	19	15.1	77	22.1
Familiar	38	11.1	15	11.9	44	12.6
Very familiar	4	1.1	2	1.6	5	1.4
Total	**341**	**100.0**	**126**	**100.0**	**348**	**100.0**
Mean	**2.2**		**2.0**		**2.2**	

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

After rating the level of familiarity, respondents were then asked to provide information about crude oil, natural gas and/or mining in Cambodia. For crude oil, the information that was most known to 342 respondents was about the location of crude oil exploration along the coastal area and in the sea (43.0%). This includes Preah Sihanouk province and the areas of overlapping claims between Cambodia and Thailand. Other provinces where crude oil is being explored were mentioned as well, although with a lower percentage, 3.2%; these include Ratanak Kiri, Kratie and provinces along the border of Cambodia and Thailand. Around 30.0% of the respondents provided general information, such as: knowledge of crude oil exploration in Cambodia; the existence of this resource in Cambodia; and the general location of exploration areas, yet exact areas were not known or provided. Although a great effort was made to prompt respondents for more information, these attempts were ineffective as it seemed that this was the only information known.

Given the low level of familiarity, information provided about natural gas was also not much, as there were only 59 pieces of information provided by 128 respondents. In addition, the information was also quite general, such as: knowledge of the existence of these resources in Cambodia; and, areas where natural gas is being explored, but not including exact locations. Interestingly, 11 respondents (8.6%) mentioned that natural gas can be extracted along with crude oil, which is actually correct. However, it is believed that not many are aware of this information as more respondents claimed to know about crude oil as opposed to natural gas (see Table 1). Since natural gas is taken when crude oil is extracted, the location of exploration is also similar, i.e. Preah Sihanouk, Ratanak Kiri and PreahVihear.

For mining, respondents provided some basic information, such as the types of mining industries, which include: gold mining, metal mining and gem/stone mining. The location of mining industry development was also provided; these include: Ratanak Kiri, Mondul Kiri, Kampong Thom, Pailin, Kampong Cham, Pursat, Battambang, and Preah Vihear. Other than this, general information which was similarly asserted for crude oil and natural gas was provided, including: the exploration of resources; locations but not exact names of areas; and, confirmation of the existence of mining resources in Cambodia. In general, information was more comprehensive than that provided about natural gas, but was on the same level of that for crude oil.

Table 5: Information Known About Crude Oil, Natural Gas and Mining

Information known about EI	Crude oil		Natural gas		Mining	
	N	%	N	%	N	%
EI exploration	43	**12.6**	-	-	6	1.7
Location of EI but do not know or tell the exact location	21	6.1	4	3.1	16	4.6
Location of EI such as provinces of Cambodia	11	3.2	4	3.1	153	**43.8**
Location of EI such as provinces along coastal area and the sea	147	**43.0**	-	-	12	3.4

Location of EI such as river	28	8.2	-	-	-	-
Location of EI such as mountainous area	-	-	-	-	18	5.2
Period to make EI production such as from 2011 to 2013	7	2.1	-	-	-	-
Cambodia has these resources	39	**11.4**	16	**12.5**	32	9.2
Can be extracted with other resource i.e. natural gas with crude oil	5	1.5	11	8.6	-	-
Types of resources i.e. types of mining industries	-	-	-	-	51	**14.6**
Final products of this resource i.e. petroleum from crude oil	13	3.8	5	3.9	6	1.7
Others	9	2.6	8	6.3	7	2.0
Total	**323**	**94.4**	**59**	**46.1**	**301**	**86.3**

Source: *EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011*

The information about crude oil was known through a number of sources. Largely, many received information from the media, such as TV (55.3%) and radio (30.4%). Family and friends and word of mouth were other sources of information, although not the most reliable. This may explain why some information revealed by respondents was not so specific.

Media, such as TV and radio, was also a main source for information about natural gas. Remarkably, 16 respondents said that they were aware of natural gas because they live near exploration areas. This is possible since the study took place in some provinces with exploration sites (e.g.Preah Sihanouk, Siem Reap).

For the mining industry, respondents were more likely to receive information from friends or relatives, or by word-of-mouth. Media, such as TV and newspapers/magazines, also played a large part in disseminating information. Interestingly, like the natural gas industry, quite a high number of respondents learned about the mining industry as they live near exploration areas. Additionally, several respondents previously held jobs related to this industry. It appears that there was a greater range of sources for information about this industry, when compared to the other two industries, which could explain why more respondents knew / heard about it more than crude oil and natural gas.

As it can be seen, media such as TV and radio and word-of-mouth communication play a main part in disseminating information about crude oil, natural gas and mining to the interviewed SMEs. The question concerns the accuracy and reliability of the information broadcast through these sources. It is generally observed that information about EI has also been disseminated through formal reports and published documents by reliable sources, such as UNDP, IMF and the World Bank. However, it is interesting to find that these sources were not mentioned at all by the respondents.

Table 6: Sources of Information About Crude Oil, Natural Gas and Mining

Sources of information about EI	Crude oil		Natural gas		Mining	
	N	%	N	%	N	%
Through conference, seminars or training	12	3.5	14	10.9	32	9.2
Through friends / relatives / from mouth to mouth	108	**31.6**	24	18.8	137	**39.3**
Through the association	20	5.9	-	-	-	-
Through media such as TV	189	**55.3**	59	**46.1**	113	**32.4**
Through media such as Radio	104	**30.4**	34	**26.6**	34	9.7
Through media such as newspaper / magazine	54	15.8	17	13.3	47	13.5
Through academic curriculum	7	2.1	5	3.9	7	2.0
Work related to mining industry	-	-	-	-	5	1.4
Living near the exploration area	-	-	16	12.5	20	5.7
Others	10	2.9	3	2.3	5	1.4
Total	**504**	**147.4**	**172**	**134.4**	**400**	**114.6**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Familiarity with one industry better than the others

Of the 396 respondents who knew about at least one industry of EI, 194 were familiar with one industry more than the others. This was recognized when some confirmed knowledge of one or two industries but not all three, or when some rated their familiarity of the industries at different levels. They were then asked to provide reasons as to why they were aware of one industry more than the others. Further questions were not asked for respondents who claimed to have heard or known of all three industries and rated all with the same levels of familiarity. It should be noted that the comparison of these industries was only made for crude oil and mining, as natural gas was found to be least known, and since it is extracted along with crude oil. In this regard, 99 respondents were found to be more aware of the mining industry than crude oil, and 95 respondents of crude oil over mining.

Frequent dissemination through media sources was found to be the main reason why respondents were more aware of mining than crude oil, and vice versa. This was also confirmed by the findings above, in which media, especially TV and radio, were the main sources of information where respondents gained knowledge about these industries. Respondents' personal interests on a specific industry also contributed to more knowledge of one over another. It could also be assumed that familiarity with mining or crude oil, more than other industries, was based on personal interests. However, it is important to note that respondents did not mention a greater variety of sources as being the reason behind a better knowledge of the mining industry (although it was only slightly better than crude oil).

Table 7: Reasons of Knowing One Industry Better Than the Others

Reasons	Mining > Crude Oil		Crude Oil > Mining	
	N	%	N	%
Personal interest	42	42.4	42	44.2
Frequent dissemination through media	42	42.4	41	43.2
Business related	10	10.1	10	10.5
Through academic curriculum	2	2.0	0	0.0
By word-of-mouth about one industry but not the others	3	3.0	2	2.1
Total	**99**	**100.0**	**95**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

2.2. Revenue from Crude Oil and Natural Gas and from Mining

Respondents with knowledge of the crude oil, natural gas and/or mining industry in Cambodia were then inquired to provide information about the potential revenue that could be extracted from these resources. This was divided into revenues from crude oil and natural gas, and revenues from mining. Revenue, here, refers to the revenue received or that to be received by the government, from any activities related to these industries in Cambodia.

Almost half of the respondents (48.5%) did not know whether the government had received revenue from crude oil and natural gas, while slightly more than half (51.5%) were not aware of this information about the mining industry. More than one-third of respondents (out of 396) claimed that the government has either received or not yet received, but will generate revenue sometime in the future, for both the crude oil and natural gas industries. Interestingly, more respondents believed that the mining industry has offered the government some revenue already, while fewer respondents believed the same for crude oil and natural gas (22.2% vs. 10.6%, respectively). As can be seen, more respondents think that the government has not generated any revenue yet from crude oil and natural gas, but will do so in the future (27.8% vs. 17.4%, respectively). The lowest proportion of respondents perceived that the government has not received anything.

Table 8: Whether the Government Has Received Revenue from Crude Oil and Natural Gas, and from Mining Industry

Whether the government has received the revenue	Crude oil & natural gas		Mining	
	N	%	N	%
Yes	42	10.6	88	22.2
No, but will receive later	106	26.8	69	17.4
No, has not received any	56	14.1	35	8.8
Don't know	192	48.5	204	51.5
Total	**396**	**100.0**	**396**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Those who believed that the government had either obtained some revenue or would receive it later, from crude oil and natural gas and mining, were asked to provide further thoughts about this average annual revenue in US dollars. Although most respondents claimed that there had been (90.5% and 94.3% for crude oil, and natural gas, and mining, respectively) or would be (95.3% and 95.7% for crude oil and natural gas, and mining, respectively) certain amounts of revenue that the government had obtained or would obtain, almost all did not know the exact amount of revenue. Only several respondents reported the amount and the answers varied greatly, from US$5,000 to US$500,000,000 per annum.

Information from FGDs, in each of the three provinces, confirmed the findings that not much information has been revealed about EI's actual and potential revenue. An FGD member claimed, *"Budget from these resources has never been clear and information has not been openly revealed to the public. I do not understand why the information seems to be closed, but I also think it is because our people are careless about this information. Everyone is busy with their own business."* In addition, the public has felt misinformed about the revenue generated by the government. Some local newspapers and magazines have quoted these amounts from reliable sources, such as UNDP, IMF, and World Bank reports. However, it may not have been understood that these amounts were based upon estimated figures (EIC, 2008). Moreover, the local media has often reported several amounts to be received from the oil and gas and mineral industries; yet, this information has not been confirmed. This may explain why respondents who knew the exact amounts provided various answers. Likewise, FGD members in Kampong Cham and Phnom Penh provided different amounts. A member in Kampong Cham said the revenue would be no less than US$5,000 million, although s/he was not totally sure as this revenue would be dependent on the quantity of resources extracted. A member in Phnom Penh, however, said that the revenue would be no less than US$500 million and that the government would start to receive this amount from 2012.

Although most could not provide the exact amount of revenue to be received by the government, they did reveal the sources where information was gathered. This may be because the sources of information did not reveal specific amounts, or because the respondents did not remember the amounts broadcaster through these sources.

Table 9: Sources of Information About EI's Revenue and Potential Revenue

Sources of information	**Amount the government has received**				**Amount the government will receive**			
	Crude oil & natural gas		**Mining**		**Crude oil & natural gas**		**Mining**	
	N	%	**N**	%	**N**	%	**N**	%
Through friends / relatives / from mouth to mouth	8	19.1	28	**31.8**	10	9.4	8	11.6
Through media such as TV	18	**42.9**	28	**31.8**	46	**43.4**	32	**46.4**
Through media such as radio	6	14.3	5	5.7	24	22.6	14	20.3
Through media such as newspaper / magazine	4	9.5	12	13.6	11	10.4	7	10.1
Living near the exploration area	-	-	6	6.8	12	11.3	7	10.1
Others	4	9.5	4	4.6	6	5.7	4	5.8
Total	**40**	**95.2**	**83**	**94.3**	**109**	**102.8**	**72**	**104.3**

Source: *EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011*

Furthermore, respondents who did not know about the revenue or potential revenue from the crude oil and natural gas industries, and from the mining industry, wished to know this information (85.4% and 82.8%, respectively). It was mentioned that this was mainly for their personal knowledge and interest. Additionally, respondents were interested to know because it is related to the country's economy, thus, in a way affecting their businesses. Some respondents did not wish to know, because they were either not sure of the benefits this information would have on their businesses, or they also felt that it may not be beneficial to them and their businesses at all.

The desire to know about revenues from EI in Cambodia seems to be high, not only for respondents who have had some knowledge of the three industries, but also for respondents who had never heard or known about these. In actuality, the findings show that the potential revenue from EI is one of the most desired pieces of information that respondents wish to know (*see Section: 2.6. Desire to Know More about EI in Cambodia*).

Table 10: Desire to Know About EI Revenue

Desire to know about EI's revenue	Crude oil & natural gas		Mining	
	N	%	N	%
Yes	164	85.4	168	82.8
No	28	14.6	35	17.2
Total	**192**	**100.0**	**203**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

2.3. Names and Activities of Organizations/Institutes/Companies Related to EI Known by the Respondents

Although respondents may know some activities about EI, the names of companies or organization conducting work related to EI does not seem clear to them. When asked to list the names of companies and organizations, most could not provide a name, but could provide the country where the company is established. More specifically, Chevron was listed by 22 respondents, out of 396. Other organizations and companies included Caltex, Total, CH Company, Child brown, EPSON, OPEC, SOKIMEX and TECH KRO Company. However, it was found that those listed were actually not conducting activities related to crude oil in Cambodia. Respondents may not have been able to clearly remember; thus, providing wrong names. Confusion may have also occurred as respondents listed companies which often distribute the final products of crude oil in Cambodia (e.g. gasoline and diesel), such as Caltex, Total and Sokimex. Additionally, Total,was also mentioned and maybe considered correct,as the Cambodian subsidiary of the company (Total Cambodge) is exploring crude oil in Cambodia. However, as respondents could not provide a full name, it is difficult to judge whether they knew the most accurate information.

As for the companies conducting activities related to mining, respondents also provided names, but none of the listed companies were correct when cross-referenced with the names of companies posted on the web site of the Ministry of Industry, Mines and Energy (MIME, 2010). It seems that respondents confused the companies working in the mining industry with those working with crude oil, such as Chevron, Caltex and Total.

2.4. Involvement in Activities to Gain More Knowledge of EI

Almost all respondents (97.7% out of 396 respondents) have never been involved in any activities to gain better knowledge of EI in Cambodia. These activities include conferences, workshops, seminars and training related to awareness on crude oil, natural gas and mining development in Cambodia, as well as advocacy campaigns related to these industries and theirs benefits. Rather, respondents were motivated to join the activities to gain better EI related knowledge from their personal interests and a general belief that EI is related to their businesses.

Although most respondents have never been involved in these activities, a majority wished to be involved in the future (71.2%), mainly because they considered it as a gain in personal knowledge. Some felt that it is an obligation, as a Cambodian citizen, to know what is happening in the country. Others were interested because it is related to the country's economy; thus, it may affect their businesses in some way. Some wished not to join any activities because they are currently too busy with their business / work.

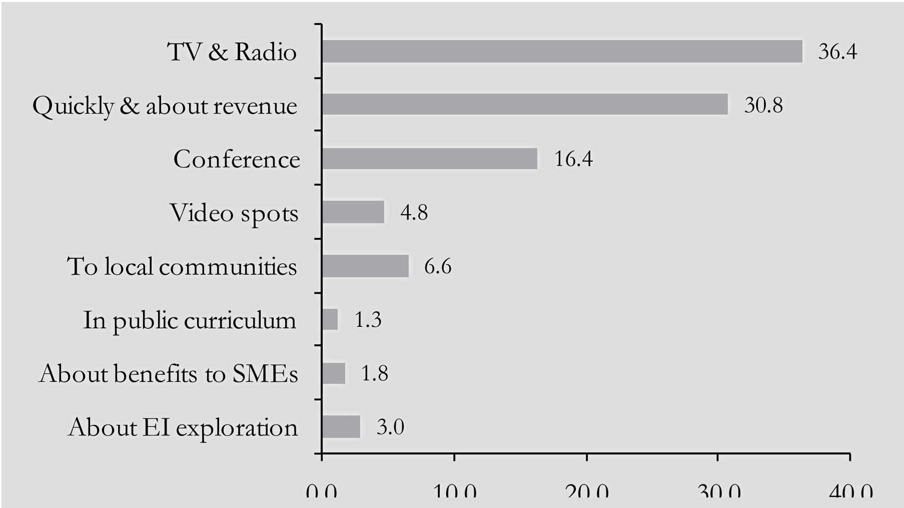
2.5. Overall Suggestions on How to Raise Awareness of SMEs on EI

Among the interviewed SMEs, 323 out of 396 respondents made suggestions on how to raise awareness about crude oil, natural gas and mining. Three important points were raised; the first of which included the actual source of information. Many respondents suggested that TV and radio would be the most appropriate way to disseminate information about these industries to SMEs. This may be because media, such as TV and radio, was mentioned, by respondents, as the main source broadcasting information about these industries (see Table 6). Thus, it seems that if TV and radio were used as tools to distribute information, it would be very likely to effectively reach SMEs; in the end, raising awareness about these industries. Besides TV and radio, conferences, seminars and training were also mentioned as other sources of information. Dissemination in entertainment, such as short video spots, was also seen as another potential source of information.

The second point, concerning suggestions on how to raise awareness, was related to how information is disseminated effectively. Information, as suggested, should be spread quickly, correctly and clearly – quickly, to ensure that updated information can be reached out to people on time; correctly and clearly, to make sure that accurate information, and not unclear information, is disseminated. Direct information to local communities was also suggested which could include house-to-house or village-to-village visits to distribute information on these industries. As SME owners / representatives are usually occupied with their own businesses, information disseminated directly to their communities would save time; thus,being more effective. It was also suggested that the inclusion of information about these industries, within public school curriculum, could also be one way to disseminate information. Young Cambodians could be educated about these industries, and this information could potentially be spread to their parents.

Last, the type of information, which would most likely attract SMEs to know more about EI, was mentioned as an important point in raising awareness. It appears that information regarding the revenue and expense of EI is attractive to SMEs. This is confirmed within Section 2.2: Revenue from Crude Oil and Natural Gas and from Mining and 2.6: Desire to Know More about EI in Cambodia, which proves that EI revenue is one of the most wanted pieces of information sought by SMEs. Other than this, respondents suggested that information concerning benefits that SMEs may gain from these industries could also be important. Knowledge about EI exploration was also suggested as the type of information which SMEs would likely desire.

Figure 2: Suggestions to Raise Awareness of EI Among SMEs (%)



Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

2.6. Desire to Know More About EI in Cambodia

Respondents claiming to have no knowledge of the crude oil, natural gas and/or mining industries were questioned about their desire to know about these businesses. Respondents were asked about each industry separately, and it was found that most wished to gain knowledge of these sectors. However, it seems that respondents who were not familiar with the mining industry were less likely to desire knowledge about this industry (64.3%), as opposed to those who were not familiar with the crude oil (77.9%) and natural gas industries (76.5%).

Respondents were also asked about the information which would be most interesting to them, regarding each industry. As this information was compiled into one table, it was found that the themes for each industry were quite similar. Three pieces of information appear to be most attractive to respondents, including those related to the exploration and production of EI and the benefits it may produce, which also includes EI's potential revenue. Respondents would also wish to know the process of exploring and producing EI, more specifically, how EI is being explored, extracted and finally produced. This seems to be more related to technical information.

Additionally, respondents are keen to know more about the revenue that EI may provide to the country. This revenue seems to be attractive to respondents who not only did not know about the industries, but also those who are familiar with EI, yet did not know much about its revenue. Respondents are not only interested in EI's revenue, but also how it is managed and spent. Respondents may possibly correlate this information with the concept that EI's potential revenue and management can affect many issues, including the price of gasoline, the national budget, employment, poverty and corruption. These issues, more or less, play important roles in the country's economy, which in a way, may affect the business of SMEs directly and indirectly (*see Section: 4.3. Potentially Large Revenue from EI and Its Possible Impacts,* for more details).

Table 11: Information Wished to Know About EI in Cambodia

Information wished to know	Total	
	N	%
How to issue or get license	107	11.1
Revenue management	142	14.7
EI exploration and production	299	**30.9**
Potential revenue	183	**18.9**
Beneficiary	268	**27.7**
Blessing and/or harmful benefits of EI	12	1.2
Final production of EI, i.e. crude oil to petroleum	10	1.0
Location of EI	53	5.5
Others	14	1.5
Total	**968**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

SMEs Who Have Known About at Least One of the Industries of EI

As can be referenced in Section 2.1: Familiarity with Crude Oil, Natural Gas and Mining and Extractive Industries, it was revealed that almost one-third of the sample (152 of 548 respondents) have not heard about the three industries whatsoever. The following sections focus on the information provided by respondents who have heard of at least one of the industries, either crude oil, natural gas or mining. In total, there were 396 respondents. Questions were also asked to respondents who have never heard of any of the industries, but these findings will be shown in a different section (*see Section: SMEs Who Know Nothing about Crude Oil, Natural Gas and Mining Industry*).

3 CHAPTER SME Views Towards Current Development of EI

Awareness about the current development of the crude oil, natural gas and mining industries was also assessed and included in this section. The current development of EI refers to the many processes involved in exploring and extracting these resources, starting from opening blocks/areas for bidding to issuing licenses to companies to explore and extract. When a resource-rich country has decided to allow extraction in a particular area, they must select which companies are going to operate in that area. After selecting companies, and before the companies start extracting a resource, the government needs to make an agreement with the companies to outline the rights and obligations of each party, as well as benefit sharing. Respondents' views towards these processes are of high importance as it may provide a clear idea of what they think of each process in terms of fairness, transparency, accountability and participation; thus, they have been included in this section as well.

3.1. Familiarity with the Process of Opening Blocks or Areas for Bidding

Opening blocks or areas for bidding refers to the process in which a resource-rich country has decided to extract resources from a particular area. The government will then place the block or area for bidding to companies, so it may then select which companies to work in the specified block or area. When respondents were asked whether they were aware of this process, almost all (94.7%, 374 out of 395) were not. Some respondents said they have no interest in this information, and that the information is not related to their businesses, but what appears to be more interesting is that most respondents had never heard of this information being disseminated at all.

Twenty-one (21) respondents claimed to know about the process of opening blocks/areas for bidding, and provided their opinions on the fairness, transparency, accountability and participatory practice of this process. They ranked each from 1 to 5; in which, 1 was very bad, 2 – bad, 3 – average, 4 – good, and 5 – very good. As can be seen from the table below, fairness and transparency were rated below average (mean of 2.9 and 2.6, respectively); which illustrates, on average, that respondents thought the process was neither fair nor transparent. However, they believed that the process was comparatively accountable and participatory, as the mean levels of each were 3.0 and 3.2, respectively.

Respondents then provided reasons of why they thought so, for each category. Corruption among government officials, and between the government and private companies, were perceived as the leading causes for low ratings of this process. Respondents believed that corruption was still present, and because of this, the process may not be completely fair, transparent and/or accountable. Furthermore, similar to respondents who were not familiar with the process, respondents mentioned that they had rarely heard any information about blocks/areas opened for bidding. Although these respondents were familiar with the process of bidding, other information was said to be insufficient; thus,it was difficult for them to judge whether the process was fair, accountable and so on. For this reason, they concluded that the process' fairness and transparency be rated lower than average. Lastly, they stated that they had never been involved in any activities related to the bidding of blocks/areas for the extraction of resources; thus, they would not be able to state whether the process was accountable and/or participatory.

Table 12: Rate of Process of Open Blocks or Areas for Bidding

Rate of process of open blocks or areas for bidding	Fair		Transparent		Accountable		Participatory	
	N	%	N	%	N	%	N	%
Very bad	3	15.0	3	15.8	2	12.5	1	7.7
Bad	5	25.0	7	36.8	3	18.8	3	23.1
Average	6	30.0	4	21.1	4	25.0	3	23.1
Good	4	20.0	4	21.1	7	43.8	4	30.8
Very good	2	10.0	1	5.3	0	0.0	2	15.4
Total	**20**	**100.0**	**19**	**100.0**	**16**	**100.0**	**13**	**100.0**
Mean	**2.9**		**2.6**		**3.0**		**3.2**	

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

3.2. Familiarity with the Process of Selecting Companies to Extract Resources

After the bidding process, the government can start selecting companies to issue licenses, so they have the right, by law, to extract resources. Respondents were asked if they were familiar with the government's process of selecting companies before issuing licenses. As with the process of opening blocks/areas for bidding, almost all respondents (97.7%, 387 out of 396) were not aware of this procedure.

The reasons for this unfamiliarity were similar to those for the previous process. Once again, respondents mentioned that information concerning the process used by the government, in selecting companies to extract resources, has never been disseminated to the public. Other issues were also mentioned, such as little time due to work/business and a lack of personal interest on the subject.

Nine (9) respondents stated they were familiar with the government's process of selecting companies, and they were asked to rate the process in terms of fairness, transparency, accountability and participation. Interestingly, they rated the categories as slightly above average, except for accountability, which was rated below average (mean of 2.4). This implies that respondents think the process of selecting companies is fairer, more transparent and more participatory than the process of opening blocks/areas for bidding. Although respondents seem to feel it is better than the process of bidding, in some respects, the company selection process was still ranked rather low, as most categories were not much higher than average (i.e. ranking of 0).

A number of reasons may lie behind the higher ratings of the company selection process, as compared to the bidding process. Most likely, respondents have seen that the companies receiving licenses from the government have a great deal of experience in extracting resources, and have the advanced technology to do so. Moreover, they have seen that these companies are fair and obey the law. These factors may possibly lead respondents to believe that the process of selecting companies is fair and transparent. On the other hand, respondents may not have rated the process much higher than average due to the thought of corruption still being present. Additionally, some respondents believed that some companies were selected without being subject to the bidding process, and there may be a possible bias from the government in selecting these companies. Respondents also mentioned that little information was broadcast to the public. Therefore, instead of knowing the process of selecting companies, respondents could only receive information about companies which had already been selected and issued licenses.

Table 13: Rating of Process of Selecting Companies

Rate of process of selecting companies	Fair		Transparent		Accountable		Participatory	
	N	%	N	%	N	%	N	%
Very bad	0	0.0	0	0.0	1	20.0	0	0.0
Bad	2	25.0	2	22.2	2	40.0	1	16.7
Average	3	37.5	2	22.2	1	20.0	2	33.3
Good	3	37.5	5	55.6	1	20.0	3	50.0
Very good	0	0.0	0	0.0	0	0.0	0	0.0
Total	**8**	**100.0**	**9**	**100.0**	**5**	**100.0**	**6**	**100.0**
Mean	**3.1**		**3.3**		**2.4**		**3.3**	

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

3.3. Familiarity with Activities of Licensed Companies

Companies, after receiving licenses, may begin activities to explore and extract resources. Respondents were asked whether they were familiar with the overall activities of these licensed companies, in regards to the exploration of crude oil, natural gas and mines. Of 396 respondents, 94.4% have never known or heard about the activities of these companies. This figure was the same concerning the familiarity with the process of selecting companies, and in opening blocks/areas for bidding. Thus, respondents have never received information about the specific activities of licensed companies. This may be due to information rarely being revealed to the public, or a lack of personal interest by respondents. Some stated they are too busy with business/work; thus, not having enough time to observe the news.

Twenty-two (22) respondents who have heard/known the overall activities of licensed companies rated the companies' activities, in terms of their progress, transparency, accountability, responsibility (to other stakeholders) and participation (update with the government). Among the ranking provided by respondents, overall activities were ranked below average, except responsibility to other stakeholders (mean of 3.0; or, average). Transparency and accountability held the lowest means, which shows that respondents feel that companies' activities are not transparent (i.e. activities are not disseminated in news, to the public and to those interested) nor accountable (i.e. activities are not with clear or accurate records, or reports of activities and of income-expense are not provided). Responsibility to other stakeholders refers to the licensed companies' actions to take charge of exploration;an activity which is most likely to negatively affect others, including local communities where the exploration is taking place, as well as the environment. Participation, here,does not refer to a participatory process by local communities or the public; rather, it refers to participation by the government, in the companies' activities to extract resources and other related activities.

As Table 14 presents, progress of overall activities has been ranked slightly above average. Some respondents mentioned that companies are exploring and operating smoothly; as they have the appropriate experience, skill and capital. However, several other respondents stated that these companies are not very active, based on their observations. Corruption, and a lack of information being disseminated, still causes respondents to feel that activities are less transparent and accountable than they should be. Nevertheless, some respondents still believed that the companies were transparent and honest.

Table 14: Rating of Overall Activities of Licensed Companies

Rate of overall activities of licensed companies	Progress		Transparent		Accountable		Responsibility to other stakeholder		Participatory (update with the government)	
	N	%	N	%	N	%	N	%	N	%
Very bad	3	17.7	4	26.7	2	14.3	4	25.0	1	7.1
Bad	2	11.8	5	33.3	6	42.9	1	6.3	4	28.6
Average	6	35.3	3	20.0	2	14.3	5	31.3	5	35.7
Good	5	29.4	2	13.3	3	21.4	3	18.8	3	21.4
Very good	1	5.9	1	6.7	1	7.1	3	18.8	1	7.1
Total	17	100.0	15	100.0	14	100.0	16	100.0	14	100.0
Mean	**2.9**		**2.4**		**2.4**		**3.0**		**2.9**	

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

3.4. Names of Licensed Companies Known to SMEs

Respondents who were familiar with the overall activities of licensed companies were then asked to list the names of these licensed entities, along with a ranking of each company's progress. Among 22 respondents, only 17 listed names of companies and their progress; thirteen (13) companies were listed. However, similar to previous findings (see *Section 2.3. Names and Activities of Organizations/Institutes/Companies Related to EI Known by the* Respondents), respondents mostly provided the countries where companies were established, and not specific names. Only 4 specific names were mentioned, namely: Chevron, Caltex, PGS and Total. Respondents listed the following countries where companies are from, including: Australia, China, Korea, France, USA, India, Malaysia, Vietnam, and Cambodia.

In terms of rating progress, respondents were asked to rate from 1 to 5; in which 1 was inactive, 2 – less active, 3 – average, 4 – active and 5 – very active. None of the listed companies were provided the rank of inactive. Among 13 companies, 3 were rated as less active (i.e. ranking of 2). These included Caltex and companies from the US and Malaysia. Four (4) companies, 3 of which are companies named by the original countries the companies are from, were thought to be of average progress; Chevron was among one of them. Five (5) companies were perceived to be active and one (1) company was thought to be very active. Chevron and PGS were among the active companies and Chevron alone was ranked as very active. Total, notably, although listed as a licensed company, was not given any ranking at all.

It can be concluded that little is known about the processes to extract EI resources, while the activities of licensed companies are slightly known. This finding is associated with the findings from the three FGDs, in which FGD members confirmed that they knew very little or not at all. The most extensive information known included the names of companies which have received licenses, as this was broadcast in the news.

4 CHAPTER SME Understanding and Views towards EI's Possible Impacts

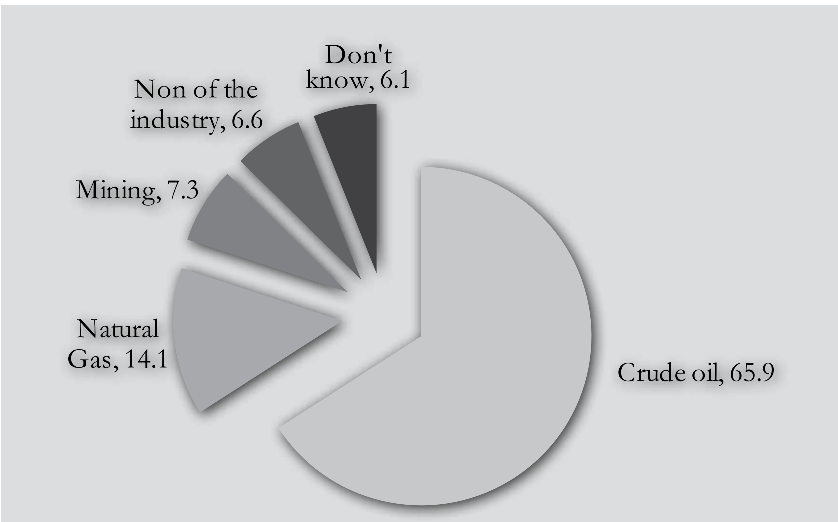
EI's revenue may possibly affect the country's economy in a number of ways, which includes changes to the general economy, as possibly affected by EI's large potential revenue. The management of this potential revenue may result in better economic growth, or a curse to the people, as the economy does not grow as expected. This section assesses SMEs' understandings and views towards the possible impact that may be caused by EI's potential revenue and development.

As aforementioned, the questions were asked to respondents who have heard or known of at least one industry of EI. Most of the questions in this section were also asked to respondents who have no knowledge of crude oil, natural gas and mining. However, this information has been placed in a different section, which focuses more on this topic (see *Section: SMEs Who Know Nothing About Crude Oil, Natural Gas and Mining Industry*).

4.1. The Most Important Component of EI to SMEs' Business

When most respondents asked about the most important industry for the business of SMEs – among crude oil, natural gas and mining– most chose crude oil (65.9%). However, if categorized by province, Kandal and Phnom Penh, they chose crude oil as the most important industry for their businesses as well, but with a lower percentage than other provinces (less than 61.0% vs. more than 70.0%). Additionally, if categorized by sector, the service sector was more likely to choose natural gas (up to 22.6%); yet, crude oil was still chosen with the greatest percentage. Among all three industries, mining was chosen the least.

Figure 3: The Most Important Industry for SME Business (%)



Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Respondents were then asked to provide reasons as to why a particular industry was selected as being most important. For those who thought none of the industries were important for their businesses reasoned that crude oil, natural gas and mining are not final products (i.e. gasoline, diesel, gold, metals, etc., are final products); therefore, this would not affect their businesses in anyway. They added that even though these industries produce these final products, these products may still be imported. Respondents who could not decide which industry was most important stated that it was because they did not know benefits from these industries as well as the benefits they may provide to their business.

Among those who chose a particular industry, most believed that the final products could positively impact their businesses. This means most perceived that final products of crude oil, such as petroleum and diesel, could be beneficial to their businesses, as many believed the price of petroleum or diesel could decrease, if Cambodia could obtain substantial revenue from these industries (see more on *Section*: *4.3. Potentially Large Revenue from EI and Its Possible* Impact).Benefits from these industries were believed by several other respondents to have a positive impact on the country's economy; thus, benefiting their businesses. Among all the reasons stated, it was evident that respondents focused on the benefits these industries could provide. Respondents also considered the country's economy, simply because 'General economy' was rated as a factor which could either contribute to or impede their business growth the most (see *Section:1.3 External Factors Contributing to and Impeding Business Success*).

Table 15: Reasons for Choosing the Most Important Industry of EI

Reasons	Crude Oil		Natural Gas		Mining	
	N	%	N	%	N	%
Final products of these resources can positively impact my business	214	82.0	53	94.6	24	82.8
Benefits from these resources can positively impact the country's economy	34	13.0	1	1.8	2	6.9
I frequently use the final products of these resources	18	6.9	4	7.1	0	0.0
Total	**266**	**101.9**	**58**	**103.6**	**26**	**89.7**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

4.2. Possible Impact of EI's Development on SME Business, Overall Business Climate, General Population and Environment

The development of the crude oil, natural gas and mining industries may have an impact on many issues which, for this study, includes: the business of SMEs, overall business climate, general public and environment. Respondents were asked for their opinions on the possible impacts (negative and/or positive) on their own businesses, other businesses, the public and the surroundings. Answering to the question, a high percentage sensed that the public (76.5%) and the environment (81.3%) would be impacted most. Interestingly, a slight majority of respondents (52.0%) did not consider this development as having any impact on their businesses. The opinion concerning the impact on other businesses did not seem to be much different either, although fewer respondents (47.7%) felt that this development may lead to an impact on the overall business climate. A small proportion of respondents did not know whether it might have an impact or not, especially for the overall business climate, as it may be difficult for respondents to make judgments on other businesses, rather than their own.

Table 16: Whether the Development of EI Has an Impact on the Following:

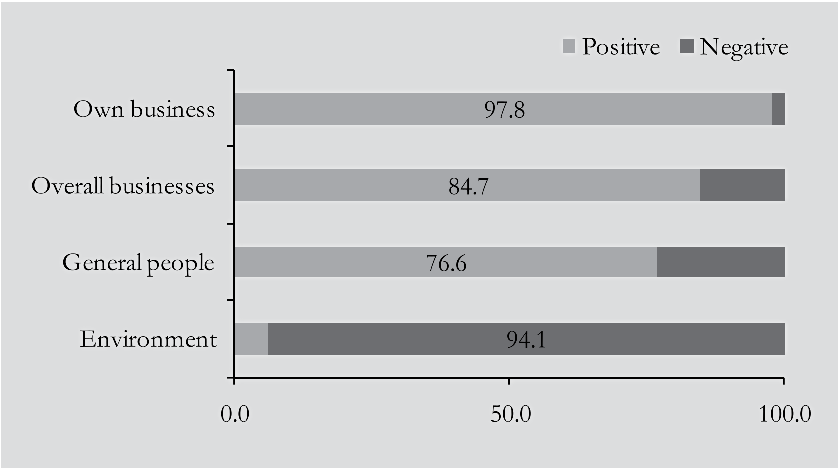
Whether EI's development may have an impact on…	Own business		Overall business		General public		Environment	
	N	%	N	%	N	%	N	%
Yes	179	45.2	189	**47.7**	303	**76.5**	322	**81.3**
No	206	**52.0**	180	**45.5**	82	20.7	48	12.1
Don't know	11	2.8	27	6.8	11	2.8	26	6.6
Total	**396**	**100.0**	**396**	**100.0**	**396**	**100.0**	**396**	**100.0**

Source: *EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011*

Respondents who said they believed there would be an impact were further asked to provide opinion on whether the impact would be negative, positive or both. Most chose either negative or positive. As revealed in the figure below (Figure 4), a great proportion perceived that there would be positive impacts on their own businesses, other businesses and the general public. The environment, however, was considered, more likely, to have negative impacts as a result of crude oil, natural gas and mining development.

Respondents were also asked to rank the level of negativity or positivity (or both, if they thought the development may impact both negatively and positively) from 1 to 5; in which, 1 is very low, 2 – low, 3 – average, 4 – high and 5 – very high. The table also includes the mean level for each potential impact. Remarkably, those who voted for positive impacts generally rated the level of positivity slightly above average (mean more than 3.0) for their own businesses, the overall business climate and the general public. Except for environmental impacts, the mean level of positive impact was below average, at 2.9. Those voting for negative impacts rated the level of negativity slightly below average (mean less than 3.0). Although for environment, most respondents thought it would be affected negatively by the development of EI, with the mean for negative impact also slightly below average (2.9).

Figure 4: Negative and Positive Impacts of EI's Development (% of Respondents Who Think EI Development Has Impact)



Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Opinions were also provided when ranking the level of impact (negative or positive). Impacts on their own businesses and the overall business climate were rated more positively, as more than half of the respondents believed there would be a decrease in the price of petroleum, which would directly reduce their costs. Other than this, a number of respondents said that decreases in the price of petroleum in the market, although not directly, would reduce the cost of production as petroleum is one of the key products in the market. Once the cost of production is lower, respondents expected to gain higher margins. Other respondents hoped that the country's economy would be better off; thus, their businesses would benefit from this economic growth as well. Several respondents made the condition that if EI was produced locally, their businesses would almost certainly gain benefits, as the development of EI may create / extend markets for their businesses. This may imply that respondents believe if EI is not produced locally, there is a low expectation of gaining benefits for SMEs.

The opinions on the positive impact on the general public are that EI's development may create jobs for local people (almost half of respondents stated so). The expectation of EI as a huge sector is high, especially regarding job creation and income generation. Once people are employed, they tend to be able to spend more as they have a regular income. Consequently, the country's economy will most likely be operated well and smoothly. Quite a number of respondents believed that there would be a decrease in people's expense. This could be due to the belief that the price of gasoline would be decreased, as a result of EI's development and revenue. Almost 30.0% of respondents rated this impact as negative. They reasoned that the development of EI may cause local people to move, and to live in other areas or even lose their land. This development may also cause pollution and may harmfully affect natural resources, such as fish, wild animals and trees. As rural villagers inhabit the natural environment and natural disasters have a great effect on their lives, the potentially harmful effects on their surroundings may eventually affect them negatively as well. This development could also be quite disturbing, especially for those communities located near exploration sites.

The negative impact on the environment was also provided as a reason, similarly to the reasons concerning the negative impact on the general public. Most respondents thought this development would cause pollution and climate change. Air and water pollution were mainly emphasized by these respondents. Therefore, it would also be damaging to the health of people and animals.

Other respondents believed that activities to develop these industries it could result in natural disasters, such as storms, landslides, floods and earthquakes.

4.3. Potentially Large Revenue from EI and Its Possible Impacts

It is generally observed that revenue generated from EI has never been officially announced. Therefore, the amount of revenue received by Cambodia so far has never been clearly known. However, it is expected that revenue from Cambodia's crude oil, natural gas and mining extractions could be significant (i.e. it could double the national budget). In this regard, respondents were asked for their opinions on this potentially large revenue source from EI, and its possible impacts on the general economy, which includes the price of gasoline on the market, national revenue, local employment, other sectors (besides the EI sector), government administration and fiscal effectiveness (governance), inflation rate, poverty, gap between the rich and poor (inequity), and corruption. All respondents were asked regardless of their thoughts on this revenue – whether they thought the government has received some amount, or if they would receive some amount in the future, or if they believed it does not receive anything whatsoever.

From respondents' opinions, most believed that the contents of the general economy could be affected by EI's potentially large revenue; respondents believe this potential revenue could make the general economy increase or decrease. Some respondents did not answer to some topics, generally because of their limited knowledge and/or the sensitivity over certain issues. These contents include other sectors, government administration, inflation, inequity, and corruption (the proportion choosing 'Don't know' was more than 30.0%).

Table 17: Whether Respondents Think EI's Potential Revenue Has Impacts on the Following

Whether EI's potential revenue has impacts on…	Yes		No		Don't know		Total	
	N	%	N	%	N	%	N	%
Price of gasoline on the market	346	**87.4**	16	4.0	34	8.6	**396**	**100.0**
National revenue	357	**90.2**	7	1.8	32	8.1	**396**	**100.0**
Local employment	345	**87.1**	11	2.8	40	10.1	**396**	**100.0**
Other sectors	216	**54.6**	34	8.6	146	**36.9**	**396**	**100.0**
Government administrative and fiscal effectiveness	164	41.4	17	4.3	215	**54.3**	**396**	**100.0**
Inflation rate	184	46.5	23	5.8	189	**47.7**	**396**	**100.0**
Poverty	361	**91.2**	11	2.8	24	6.1	**396**	**100.0**
Gap between the rich and the poor	253	**63.9**	19	4.8	124	**31.3**	**396**	**100.0**
Corruption	267	**67.4**	9	2.3	120	**30.3**	**396**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Respondents who believed that the general economy would be impacted by EI's potential revenue were then asked whether this would cause an increase or decrease to the general economy, and they were asked to then provide reasons as to why they thought so. They were also asked to rate the level of increase or decrease, from 1 to 5; in which, 1 is very low, 2 – low, 3 – average, 4 – high, and 5 – very high. The following analysis presents the mean increase or decrease, as stated by the respondents.

Of the 346 respondents who thought the market price of gasoline and diesel would change as a result of this potential revenue, almost all (94.8%) believed that the price would decrease. On average, this decreased level is slightly below average (mean of 2.9); showing that respondents believe the price of gasoline would decrease on an almost average level. Almost half of the respondents reasoned that with raw materials (of crude oil), the price on the market would decrease. They seemed to have a strong belief that raw crude oil would eventually lower the local market price. Other respondents added that with this potentially large revenue source, the government could easily reduce taxes on imported gasoline, as well as the quantity of imports. However, some respondents mentioned that the price would be cheaper than the current price only if Cambodia could produce petroleum locally. Therefore, according to respondents, even though it is seen as a potential revenue source, the actual price decrease would still be low if it was not wholly produced in Cambodia.

Moreover, respondents strongly believe that revenue from EI could be a gain for the national revenue. For this reason, nearly all of the 357 respondents (97.5%) thought that the national revenue would increase quite a bit (mean of 3.8; ranking, nearly high). Of 164 respondents, 90.2% also believed that government administration and fiscal effectiveness, in terms of the government's provision of services to the public, would be better as well. The increased level for better public services could be slightly higher than average (mean of 3.5). This is because respondents believe that the potential revenue from EI would be used to increase the salary of government officials; thus, motivating them to provide more effective and efficient services.

Respondents perceived that local employment and other sectors besides EI would also increase, but on different levels. It was thought that local employment would increase, with respondents choosing a mean ranking of 3.8 (i.e. nearly high), while other sectors would sustain average growth (mean of 3.1; or, average). These two topics are strongly related, according to the reasons provided by respondents. Local employment is to increase because, firstly, EI is expected to create and generate more jobs for local people. On the other hand, EI may provide benefit to other sectors, which would then need to be extended; thus, creating more jobs. EI would benefit other sectors since its potential revenue would help develop these sectors. In addition, EI's final products could reduce the cost of production for other sectors; therefore, other sectors could be extended and enhanced.

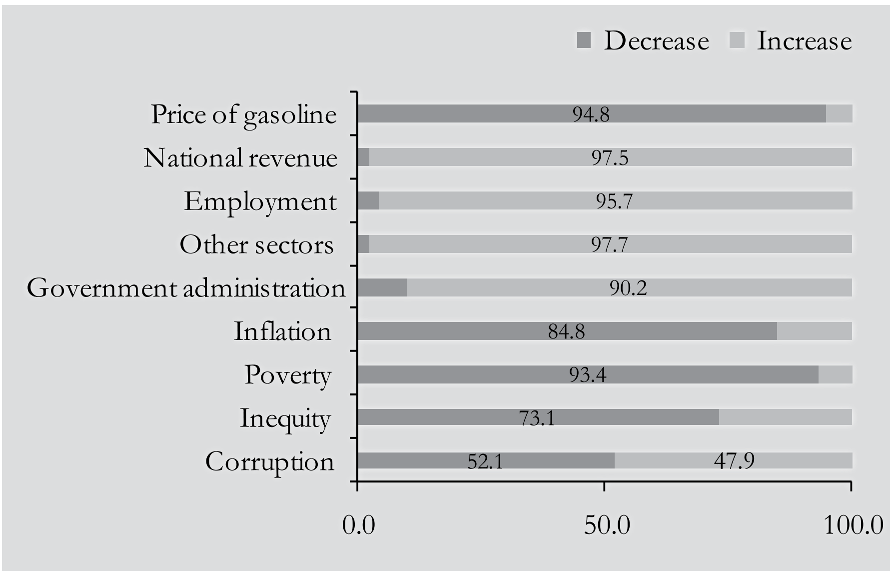
Of the 184 respondents, 84.8% believed that inflation rate would decrease, with a mean ranking below average (2.7). This signifies that respondents believe the inflation rate could be lowered because of potential revenue from EI, but the rate would be quite low, according to the mean raking provided by respondents. Respondents reasoned that, in general, the price of goods on the market would be decreased as well because of EI's final products, especially gasoline. Since businesses and the public generally use gasoline for business operations, and everyday life, if the price of gasoline was lower, businesses could cut down the price of goods and/or services as well. Some respondents believed that the government could use the potential revenue to intervene in the price of goods as well. Some thought that the government could reduce taxes on goods and/or services. Consequently, the inflation rate could be maintained stably, and even lowered.

Respondents were also more likely to believe that poverty could also be decreased, if compared with inequity between the rich and poor (93.4% vs. 73.1%, respectively). According to reasons provided by the respondents, and similar to the reasons mentioned in the above paragraphs, EI may benefit the growth of sectors; which would signify a need for more workers/employees. As more people are employed, poverty could be reduced, and the income gap between the rich and poor could be potentially narrowed as well. Nevertheless, more than half of the respondents believed that the income gap could actually increase, as they reasoned that the poor may not benefit much from EI, while the rich and powerful may benefit much more. In this sense, although poverty could be decreased through employment, inequity may only be narrowed to a limited extent, or actually increase in the end.

Corruption seems to be a dilemma for respondents as well. As seen, slightly more than half of the 267 respondents (52.1%) perceived that corruption would be decreased. For those who believed corruption would decrease, a mean ranking of 2.7 was calculated, while the mean ranking was calculated at 2.9 for those that believed it would increase; interestingly, signifying a below average increase or decrease in corruption, as perceived by respondents. Those who believed corruption could be decreased mentioned that the government has already issued laws against corruption, in addition to potential revenues from EI potentially being used to strengthen the law. Moreover, revenues from EI are expected to be used to increase the salaries for government officials and to strengthen the government's administrative efficiency. Consequently, corruption could be reduced to some extent.

In contrast, those who perceived that corruption would increase stated that it is a system from bottom to top, which is hard to eliminate. As Cambodia receives more revenue from EI, corruption would also grow. Although the government may increase salaries for government officials, it would also depend on the official commitment as greed is human nature. Lastly, respondents stated the law against corruption is still quite lax.

Figure 5: Respondents' perceptions on the positive/negative impacts of EI (% of respondents who thought EI revenue would have impact)



Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

The topic of the possible impact from EI's revenue on the general economy brought forth an interesting debate concerning the price of gasoline in the market, especially during the FGD in Phnom Penh. Members of the FGD in Phnom Penh held different views on the decreased price of gasoline. One member said, *"I believe the price of gasoline would decrease, up to 50%,"* while another member was strongly against this claim and reasoned, *"I think the price of gasoline will decrease, but not that much. The highest decrease possible would only be from 20 to 30% and I would be happy already if it could decrease this much."* This member added that raw crude oil, after being extracted, would need to be exported to other countries for production; therefore, it is not possible that the government could reduce the price, because it would be determined by the international market.

Also, interestingly, members of the FGDs in Phnom Penh and Kampong Cham did not think that EI would create jobs for local people. This is in contrast to members of the FGD in Battambang, and respondents in the survey (almost all respondents believed that local employment would increase, as an impact from EI). However, members of the two FGDs suggested that if the government uses the potential revenue to upgrade other sectors, labor would be greatly needed for other sectors; hence, local employment would increase.

In sum, the expectation of survey respondents was high, as opposed to those from the FGDs, especially concerning the impact of EI's revenue on the general economy. Most believed that potential revenue would affect the general economy and this effect would improve their current individual situations. However, it should also be noted that the expectations of these potential impacts may be far too great. For example, most believed that the potential EI revenue would, to some extent, decrease the price of gasoline and diesel on the market.

In fact, it is still in question whether potential EI revenue can actually decrease the price of gasoline. Firstly, the price of gasoline is determined by the international market. Although Cambodia has the necessary raw materials, building factories to convert this raw material into a final product is a long and costly process. While the costs involved in developing oil fields in Cambodia are unknown, some examples from other countries, such as Ghana and Chad, have shown that the up-front investment required to develop oil fields was more expensive than the revenue that could be extracted from crude oil (Gary, 2009). Therefore, it is expected that Cambodia could only export the raw material, in order for the final product to be produced in other countries. In the end, when the final products are produced, Cambodia would then need to import gasoline and diesel from the countries which actually processed the final product. Thus, this expectation may be far too great, as the availability of this raw material could not actually reduce the price of final products.

Other expectations may be possible, however, concerning the government practice of using potential revenue to reduce taxes on imported gasoline; in turn, reducing the price of gasoline and diesel. Nevertheless, this may not sustain growth in the long run. First, it is dependent on the amount of oil to be extracted, which is still unknown to date. Second, the price of gasoline does not merely depend on the government's taxes. As mentioned in the previous paragraph, this price is determined by the international market. Moreover, it is dependent on gasoline/diesel distributors. According to the Economic Institute of Cambodia's report on "Export Diversification and Value Addition for Human Development" (Dourng, 2007), the main factor contributing to a higher price of gasoline and diesel in Cambodia, compared to Thailand and Vietnam, is the distributors' gross profits; in which distributors in Cambodia charge approximately 7 times more, per litre, than distributors in Thailand and Vietnam.

Another unfounded expectation is the belief that this potential revenue would decrease inflation, based on respondents' reasoning that the price of goods in the market would generally decrease, because of the decreased price of gasoline and the government's intervention to stabilize market prices. Some thought that the government could use this revenue to reduce taxes on goods in the market. As aforementioned, it is doubtful whether the price of gasoline could be decreased, and if it could, it would not be sustainable in the long term. In addition, it is possible that the government could intervene to control the general price of goods in the market, thus cutting down prices. However, it is also possible that when the prices of goods decline, demand would then rise; thus, inflation could eventually increase.

4.4. Government's Management on the Potentially Large Revenue

A number of respondents (37.6%) believed that the government would be able to manage the revenue well. Of the 396 respondents, 31.1% did not answer to this question while 31.3% did not think the government could manage the revenue from EI. Again, the topic was deemed sensitive by many respondents, which explains the high refusal rate for this question.

Respondents who did not think the government could manage this potential revenue focused on corruption as the major factor limiting its ability. They added that the law against corruption is still lax, and law enforcement is not totally in practice. They also questioned the willingness of government officials to manage these revenues well, properly and effectively. Some respondents, rather than focusing on this willingness, focused on the ability to manage revenues and expenses, as they said Cambodia has insufficient human resources to manage such large potential revenues, especially within government institutions.

For respondents who believed that the government could manage this potential revenue, they were further asked to rank, from 1 to 5, the level of this management in terms of transparency, accountability, effectiveness and participation. Generally, the mean rankings for management were average (means were slightly below or above 3.0), illustrating that respondents perceived that the government could appropriately manage revenues in a transparent, accountable, and effective and participatory way.

Respondents then provided a number of reasons regarding revenue management. First, respondents generally trust the government in managing these revenues, while they also believed in the government's commitment to reduce corruption. They mentioned that information about revenues, as well as its management, is currently limited, but acceptable. However, corruption is still an issue that concerned respondents. As stated by the respondents, the salary of government officials is low; therefore, causing corruption, as officials must find ways to increase individual incomes. Moreover, low salaries would not attract highly educated and capable people to work for the government, especially concerning a difficult task such as managing EI revenue. In terms of the participatory nature in managing EI revenue, respondents stated the pressure from outsiders, including civil society and the international community, pushes the government to allow more participation.

Table 18: Rate of the Government's Ability to Manage EI's Potential Revenue

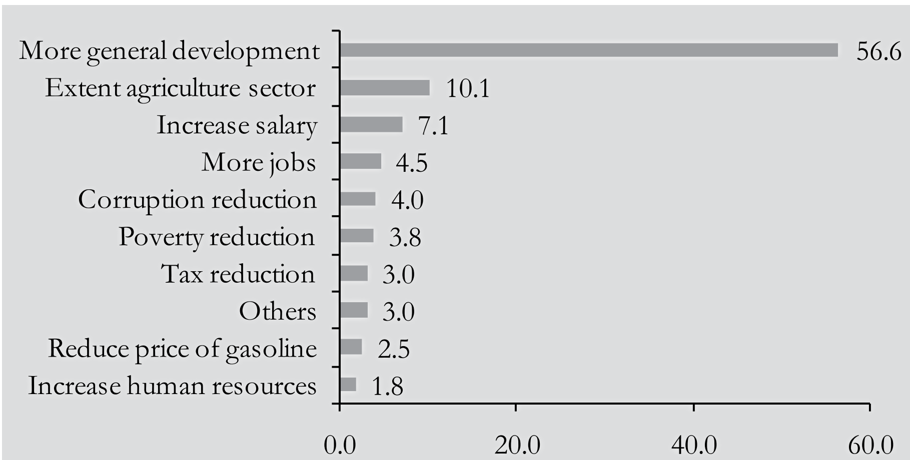
Rating of government's ability to manage EI's potential revenue	Transparent		Accountable		Effective		Participatory	
	N	%	N	%	N	%	N	%
Very bad	12	9.8	10	10.0	12	13.3	13	15.1
Bad	19	15.6	7	7.0	10	11.1	10	11.6
Average	54	44.3	44	44.0	31	34.4	35	40.7
Good	36	29.5	38	38.0	33	36.7	26	30.2
Very good	1	0.8	1	1.0	4	4.4	2	2.3
Total	122	100.0	100	100.0	90	100.0	86	100.0
Mean	**2.9**		**3.1**		**3.1**		**2.9**	

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

4.5. What the Government Will Do with the Potentially Large Revenue

When asked about their thoughts on what the government would do with the potentially large source of revenue from EI, more than half of the respondents (56.6% of 396 respondents) said the government would use this revenue for the country's development, which includes the development of infrastructure, schools, hospitals, elderly centers, etc. One-tenth of the respondents (10.1%) claimed that the government would spend this revenue to improve the agricultural sector by building irrigation systems, support agricultural product markets, support farmers, and so on. A rather small proportion of respondents (7.1%) said that the government would increase the salaries of government officials. Other than this, respondents stated that this revenue would be spent to create jobs for local people, reduce corruption, reduce poverty and increase people's standards of living, reduce tax, decrease the market price of gasoline, enhance human resources, and others.

Figure 6: Opinions on What the Government Will Do With the Revenue (%)



Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

5 CHAPTER SME Suggestions and Recommendations

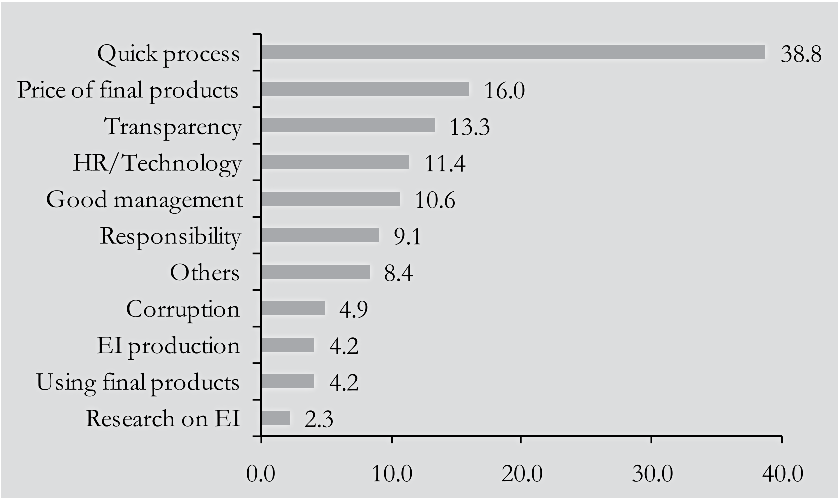
Overall suggestions and recommendations on EI's development and revenue management were made and included in this section. Suggestions on how to use this potential revenue effectively, in order to benefit their own businesses, other businesses and citizens were also made. Again, this section was compiled from the findings of those respondents who have had knowledge of at least one sector within EI. Respondents that claimed unfamiliarity with all three industries were also asked the same questions (most questions within this section), but this information was placed in a different section (see *Section: SMEs Who Know Nothing About Crude Oil, Natural Gas and Mining Industry).*

5.1. Factors to Foster the Development of EI and Suggestions to Current EI Development

To foster the development of crude oil, natural gas and mining, respondents perceived that many factors would be needed for Cambodia. The need for local human resources / experts was chosen most among respondents, as Cambodia needs local experts to develop these industries. However, financial and technical aid would be needed as well. Along this line, foreign investment is a priority, as Cambodia is believed to have inadequate funds to develop EI. Corruption, as it is believed to be a hindering factor for the development of EI, needs to be reduced, so as to ensure that a smooth development takes place. Therefore, transparency within every process of EI development is expected. In addition, a good EI policy framework, which represents equal benefits for all stakeholders involved, as well as administrative and fiscal effectiveness, were mentioned as necessary factors for EI development in Cambodia.

Generally, respondent's suggested that EI needs to undergo a faster process of development, as it seems that they believe far too much time has been taken already. Furthermore, fairness, transparency, and accountability are of an utmost importance for all processes of this development. In this regard, information related to these activities is expected to be appropriately and accurately disseminated, so people may note the transparency and accountability of each process. Companies and the local government should also be responsible to local communities and regard the environment, as current EI activities could, to some extent, harmfully affect the environment and local people. Therefore, the government should work with companies that have the suitable technologies to ensure the lowest negative impact on the environment. The government should also determine how exploration companies compensate local communities who are directly and indirectly affected by these activities. Finally, studies and research regarding EI in Cambodia should be strengthened and extended.

Figure 7: Suggestions on Current EI Development (%)



Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

5.2. Public Spending and Petroleum Fund

Suggestions were also made regarding the government's public spending and petroleum fund. Public spending is the expense the government makes to benefit the public. This includes, but is not limited to: the development of infrastructure, schools and hospitals; the salaries of government officials and pensions for the retired; and expenses for each ministry under the Royal Government of Cambodia (MEF, 2010). The petroleum fund, on the other hand, is a term used to identify the income from oil profits that a country receives. The fund is mainly generated from the taxes paid by companies, as well as from the companies' payments for licenses to explore and royalties to the government. Therefore, once the government has received this income and included it within a Petroleum Fund, the fund cannot be used as public spending. Rather, it will be kept in a separate account to be used in the future.

Respondents were then asked what the government should do if it were to receive large amounts of revenue from oil; with options including: spending all on public services, or spending some and saving the remainder for the future, as part of a Petroleum Fund. Most respondents (85.6% of 396 respondents) preferred the Petroleum Fund. Notably, 7.6% of respondents said they had no idea. Interestingly, in Kandal province, all but one respondent (29 respondents) said the government should save as part of a Petroleum Fund (the one said s/he did not know what to choose).

A small proportion of respondents preferred that the government spend all at the present time (6.8%), and reasoned that Cambodia would prosper quickly, as the country is in need of as much development right away. Also, it was reasoned that this would assist the country in paying its debts as well. One interesting point concerned corruption; as some said there is the possibility of increasing corruption, as the government receives more revenue.

The Petroleum Fund was preferred because it will be used to support and develop the next generation, as well as to solve economic crises which may occur in the future. The fund, according to respondents, could also be used in times of natural disasters. Some respondents reasoned that

Cambodia may not always obtain revenues from EI, as resources may be exhausted one day; therefore, the fund could be used to solve problems after these revenues are no longer available. Several respondents were interested in military development (i.e. national protection and security, especially along the borders); thus, suggesting that some revenue be saved to support the military, when needed.

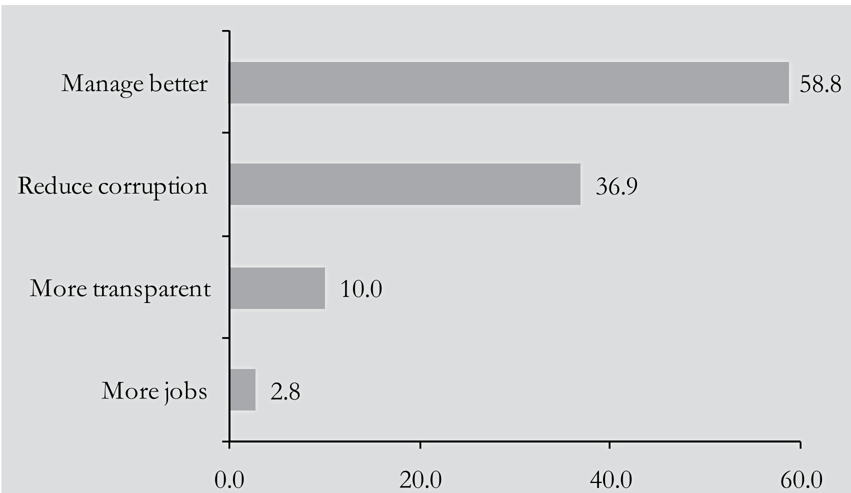
All in all, the majority of respondents suggested that some revenue be saved for future spending. None of the respondents suggested using the fund to invest, thus gaining more profit. Adding to this point, none of the respondents mentioned these savings throughout the interviews, and only mentioned these points when asked. It seems that this idea is quite new to respondents, although they seem to prefer the idea of a Petroleum Fund. This preference seems to be similar to the sentiments observed during the FGDs. The idea of revenue savings for future development was never mentioned until the question was asked. After being mentioned, however, most members of the FGDs preferred the idea. Therefore, more information on the advantages and disadvantages of a Petroleum Fund should be disseminated, so people may have more knowledge and make better judgments about EI.

5.3. An Independent Committee to Manage the Potentially Large Revenue from EI

Respondents were also asked for their opinions regarding an independent committee to manage EI's potential revenue. Most (80.8%) thought that there should be an independent committee, while several others (13.4%) did not answer / did not know. Respondents that did not vote to have an independent committee (5.8%) stated that there would be no need for it, as the government already has a number of existing committees, such as the Ministry of Economy and Finance and the Cambodian National Petroleum Authority, who are managing exploration activities and revenue.

More than half of the respondents, however, believed an independent committee should be established, as it could manage revenues with more fairness, independence, and effectiveness, while keeping accurate records. Quite a proportion of respondents believed that it could reduce corruption to some extent, because this independent committee, as mentioned earlier, would be expected to create and maintain clear and accurate records of revenue and expenditure. Also, there is an expectation that the committee would disseminate information on incomes and expenses, in order to show more transparency.

Figure 8: Reasons for Having an Independent Committee (%)



Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

5.4. Three Most Prioritized Sectors with the Potentially Large Revenue from EI

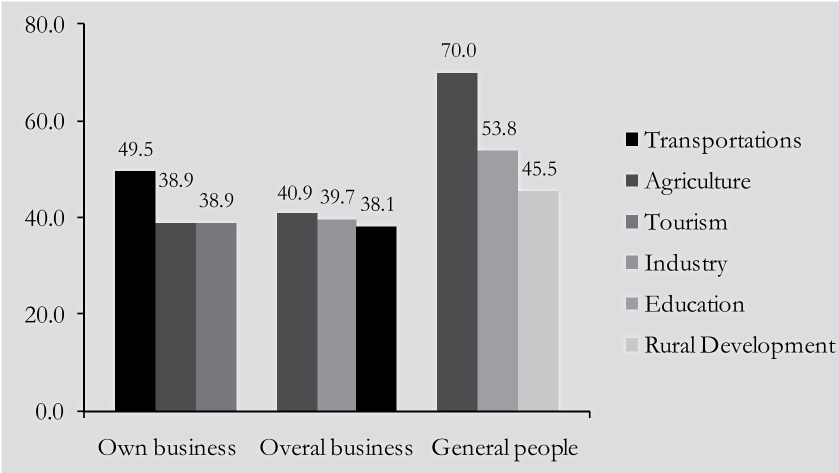
The Cambodian Government has prioritized several sectors as being in need of development, within the National Strategic Development Plan (NSDP). Within the NSDP update, 2009-2013, these sectors include the following priority sectors: Agriculture, Forestry and Fisheries; Rural Development; Industry; Energy; Transport; Telecommunications; Tourism; Health and Education (RGC, 2009).Respondents were then asked what sectors they thought should be prioritized, with support from the potentially large sources of revenues from EI, regardless of whether or not the sectors were already on the priority list. They were asked to prioritize three sectors, which they thought could benefit (1) their businesses, (2) the overall business climate and (3) the general public.

The answers provided by respondents were not much different from the existing priority sectors set by the government; these three priority sectors, perceived to be beneficial for respondents' businesses included Transport, Agriculture and Tourism. Transport was chosen the most (49.5% of 396 respondents). If further disaggregated by sector, in order of largest to smallest proportion; respondents from the manufacturing sector chose Transport, which was then followed by Energy and Agriculture (62.7%, 52.2% and 41.8%, respectively). These choices can be explained, as SMEs from the manufacturing sector must travel in order to distribute their products; therefore, the Transport sector should be prioritized from EI's potential revenue, while the Energy sector would support transportation/delivery at a minimum cost. The Service sector, on the other hand, prioritized Tourism, Transport and Agriculture (55.8%, 38.3% and 33.2%, respectively). This may be because most interviewed SMEs within the service sector are operating businesses related to tourism, i.e. accommodation, restaurants; thus, if the Tourism sectors improved, their businesses would benefit as well. SMEs within the Trade sector chose Transport, Agriculture and Rural Development (64.4%, 57.8% and 33.3%, respectively). Rural Development was most likely chosen here because interviewed SMEs within this sector mostly reside in the rural provinces; thus, prioritizing Rural Development may help contribute to their business growth.

Priority sectors for overall business climate include Agriculture, Industry and Transportation (40.9%, 39.7% and 38.1%, respectively). Slightly different from the answers provided for their own businesses, Industry was included while Tourism was not. If categorized by sector, however, interviewed SMEs from Service and Trade prioritized tourism as one of the top three sectors which would benefit other businesses. Transport, however, was not one of the three priority sectors chosen by interviewed SMEs from the Service and Trade sectors.

For the general public, the three priority sectors most chosen were Agriculture, Education and Rural Development. Agriculture was the most outstanding choice, which 67.0% of respondents chose. If further disaggregated by province, most prioritized these sectors in the same order. Respondents from Kandal province, however, had slightly different choices: Agriculture, Education and Health (66.7%, 40.0% and 40.0%, respectively). Rural Development, however, was selected fourth. Respondents in Battambang province, notably, chose the same three priority sectors with the exact same proportion (58.6%).

Figure 9: Prioritized Sectors with EI's Potential Revenue (%)



Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

5.5. Suggestions to Use Potentially Large Revenue from EI

Lastly, suggestions were made on how to use the potentially large sources of revenue from EI. Respondents were asked to make separate suggestions for their own businesses, the overall business climate and the general public. Suggestions to benefit their own businesses and the overall business climate were similar. The main difference here included the number of respondents: suggestions to benefit their own businesses were made by 302 respondents, while 222 respondents made suggestions for the overall business climate. Of this, almost half of the respondents suggested that the revenue should be used to develop infrastructure and other prioritized sectors. It was suggested that the price of gasoline, electricity and transportation be reduced, as the price of these products has been increasing remarkably. Some respondents suggested the government reduce taxes on imported products and raw materials, to improve production from SMEs. Other suggestions included good management from the government, job creation so that demand on the market is increased, support of local products and local businesses, stabilizing the exchange rate, salary increases for government officials and loan provisions with low interest rates.

In general, suggestions for the general public were not much different from the previously mentioned suggestions for businesses. Once again, the main difference was the response rate for each question.

More development on infrastructure and other prioritized sectors was mainly suggested; and, it seems that this would be more beneficial for the public, than respondents' own businesses and the general business climate. The majority (more than 65.3% of 323 respondents) suggested that using EI's potential revenue for this development would benefit the general public. Additionally, poverty reduction, through the creation of more jobs, was also suggested. It was also suggested that the price of gasoline be reduced, and the energy sector (including EI) be further developed.

As seen above, the suggestions were related to the development of the country at the present time. None of the respondents suggested that revenue be kept in a savings account, to be used in the future. Surprisingly, this was contradictory to the previously mentioned suggestions made about public spending and the Petroleum Fund, which most respondents agreed that some revenue be saved for future use.

SMEs Who Know Nothing About Crude Oil, Natural Gas and Mining Industry

This section focuses on the answers provided by respondents that claimed to have no knowledge of all three industries. As seen from Section: 2.1. Familiarity with Crude Oil, Natural Gas and Mining and Extractive Industries, 152 respondents had no familiarity with the crude oil, natural gas and mining industry. These respondents were asked questions about EI's possible impact and to offer any helpful suggestions and recommendations. Therefore, most questions asked within the last section, for those with knowledge of at least one of the industries, were asked to these 152 respondents. Before asking questions, a paragraph providing general information of EI in Cambodia was read to the respondents. This was done to ensure that respondents understood the questions being asked. However, for certain questions, it was found that the answer choice 'Don't know' had a much higher prevalence, if compared to respondents with some prior knowledge of EI. Interestingly, though, the answers and reasons provided by these respondents were not much different from those provided by respondents in the last section. Thus, this section has been summarized to present the most relevant findings.

These respondents were asked about the government's management of potentially large revenue sources from EI. A high proportion (44.1%) did not answer to the question however. Others (32.2%) believed in the government's ability to manage revenues and rated this ability at an average level (mean was slightly below and above 3.0 for the previously mentioned categories). When asked for their opinion on what the government should do with this potential revenue, most said the government should use this revenue to develop the country; namely, by building more infrastructure, schools, hospitals, and centers for the elders.

Respondents also provided their opinions on the possible impact that these revenue sources could have on the general economy. The most notable point was the high rate of 'Don't know' answer choices (higher than 55.0%), regarding questions on the impact for other sectors, government administration and fiscal effectiveness, inflation rates and inequity. For topics related to corruption, 'Don't know' was chosen by more than 45.0%. Apart from this, most respondents perceived that EI's potentially large revenue source would have an impact on the general economy. Similar to the perceptions of those with knowledge of at least one industry, most of these respondents believed that there would be positive changes to the general economy; these changes included: decreases in the market price of gasoline,; a decrease in the inflation rate; decreases in poverty and inequity; and, increases in national revenue, local employment, and the economic growth of other sectors. On the other hand, these respondents felt slightly different regarding the topic of corruption. Unlike respondents with some knowledge of EI, slightly more than half of these respondents (51.9%) perceived that corruption would increase as a result of this potential revenue.

These respondents also made suggestions on how to use the potential revenue, in order to benefit their businesses, the overall business climate and the general public. Generally, three suggestions were made: more development of infrastructure; a reduction in the price of gasoline; and, a reduction of taxes on imported products and raw materials. What is notable is the suggestion on the reduction of taxes for SMEs. Some respondents suggested that the government, with this large source of revenue, should then reduce taxes for SMEs. In this way, SMEs could make higher margins, thus benefiting more. Therefore, SMEs could potentially extend their businesses and recruit more staff.

Conclusions and Recommendations

The Extractive Industries, comprising of crude oil, natural gas and mining, could possibly generate a great amount of revenue for Cambodia. It is believed to have a significant potential impact on the country's economy. However, examples from many resource-rich countries have shown that the revenue could be a blessing or a curse to the country, depending on the management and policy of how revenues are used. SMEs, as a vital group contributing to Cambodia's employment and playing a greater role in the future of the country's economic diversification and growth, should have a say in how this revenue should be used, especially in positively affecting their businesses, and the general public as a whole.

First, however, it is important to assess the extent in which SMEs are aware and interested in this sector as their perceptions are highly associated with their awareness. SMEs, and the general public, have not been commonly familiar with EI. However, EI's industries, i.e. crude oil, natural gas and mining, have been wide-spread in Cambodia, in recent years. As claimed by more than half of the survey SMEs, these respondents have known/heard of crude oil and/or the mining industry. Natural gas was least known among respondents; however, this industry has not been the main focus of EI in Cambodia, nor has it been the focus of the media, which is the most important tool to disseminate information about these resources.

Furthermore, SMEs have a low level of awareness regarding crude oil, natural gas and mining industries in Cambodia. Some specific information was not clear to them i.e. revenue generated from EI. This may be due to misinformation from the media, or from word-of-mouth communication. As pointed out in the report, almost half of the respondents who were familiar with at least one of the industries stated not knowing whether the government has received revenue from crude oil and natural gas, and/or mining. Those who claimed to know provided a great range of in this generated revenue, from as little as US$5,000 to as high as US$500 million. This shows an uncertainty on the current revenue generated, and that to be potentially generated, from EI.

In terms of the current development of EI, almost all respondents were not aware of the processes (of opening blocks/areas for bidding, of selecting companies to issue licenses, and of the activities of licensed companies); thus, not being able to provide their views on these processes. Insufficient information related to current EI development seems to be one of the main factors which limits respondents' awareness levels. Respondents declared that they have never heard any news related to the process of bidding and selecting companies. Rather, what they have heard is the names of companies which have already received licenses. Insufficient information is not the only factor; it seems that some surveyed SMEs are not interested in the news, as they are currently busy with their own business/work. Information would be of interest to them if it showed exactly what benefits they would gain from knowing such information; or more precisely, if the information explained the potential benefits from EI revenue. Moreover, it is believed that if they know and understand the possible impact of EI that may have on their business, they are more likely to pay attention to the news. Therefore, the information related to current EI development activities would be attractive to them as well.

Interviewed SMEs expressed high expectations on the impact that EI's potential revenue would have on the general economy and on their businesses. However, as previously mentioned, these expectations may be far too great. For example, most believed that the potential EI revenue would, to some extent, decrease the price of gasoline and diesel on the market. The rationale behind this expectation is that raw materials (crude oil), which Cambodia has, would eventually lower the local market price. Additionally, they perceived that the Cambodian government could use the revenue from EI to reduce taxes on imported gasoline, thus cutting down the price of gasoline. Another unfounded expectation was the belief that this potential revenue would decrease inflation, as a result of the decreased price of gasoline and the government's intervention to stabilize market prices.

In fact, potential EI revenue to decrease the price of gasoline is still in question, because the price of gasoline is determined by the international market. It is expected that Cambodia would only be able to export the raw material to other countries in order for the final product be produced, and then it would need to import gasoline and diesel from the countries which processed these final products. Thus, this expectation may be far too great, as the availability of this raw material could not actually reduce the price of final products. Moreover, this price reduction depends on gasoline/diesel distributors in Cambodia, who were found to charge approximately 7 times more, per litre, than distributors in Thailand and Vietnam. This is seen as a major contributing factor to the higher price of gasoline/diesel in Cambodia. Furthermore, it is possible that the government could intervene to control the general price of goods. However, it is also possible that when the prices of goods decline, demand would then rise; thus, increasing inflation.

In terms of current EI management systems, respondents seem to be doubtful. One-third of the respondents perceived that corruption would be increased with EI's potential revenue. Another one-third believed that it would be decreased though. This limited confidence on the current government-run revenue management system explains why around 80% of the respondents desire an independent committee to manage the revenue generated from EI.

Respondents were also asked to comment about the way in which potential revenue should benefit SMEs and the country. A great proportion of respondents thought that this revenue should be saved, rather than being spent all at once. However, the mechanism of saving revenue from EI, with the so-called Petroleum Fund, does not seem to be a concept clearly understood by the respondents. First, it should be noted that none of the respondents mentioned any savings programs throughout the interview process, until asked about this option. Second, only a very small proportion of respondents stated that this savings initiative should be used to solve crises, once the revenue of EI is gone. Others stated it should be used to help the country during natural disasters and to solve economic crises, in general. This shows that the concept of a Petroleum Fund is not well understood; thus, limiting their knowledge of this mechanism.

Based on the findings and the previously mentioned conclusions, government, policy makers, civil society, development partners and other concerned people should understand that perceptions of SMEs are highly associated with their awareness of the issue. Therefore, it is important to not only incorporate their perceptions/suggestions in any potential policies to develop EI, but also to raise awareness of EI and EI-related information among SMEs. Thus, the following recommendations—which may serve as helpful input for the government when designing a relevant policy framework—have been made, as follows:

- The term 'Extractive Industries' should be more widely spread and used at the national level as the terms was found to be not commonly used/known among surveyed SMEs. If jointly conducted by the RGC and representatives from civil society, the program would have a high degree of credibility and acceptance from the Cambodian public.

- More awareness is definitely needed, especially concerning general knowledge of EI and its development process. The CNPA and the Cambodian civil society including media could work together with the RGC to consistently and accurately disseminate the following information: the location of exploration; the estimated amount of production; the way in which exploration/production occurs; and, the companies extracting these resources. Also, the process of EI development activities is of importance and should be disseminated. This is to ensure that the process is fair, transparent and accountable. To disseminate such information and include the public in the process shows complete participation by concerned stakeholders.

- One issue to be noted is how to raise awareness. SMEs in this study mentioned, several times, that TV and radio are the main sources relaying information about EI. Therefore, it is likely that information disseminated via TV and radio would reach SMEs most easily. However, the information should be fast, up-to-date and accurate, in order to avoid any misinformation. Besides TV and radio, it is also recommended that information be disseminated directly to the local communities where SMEs are operating. Since SMEs are busy with their own businesses, direct communication could also be useful.

- Revenue generated from EI is one of the most wanted pieces of information that interviewed SMEs wish to have. This is so because survey SMEs believed that the revenue would positively affect their business with the decrease price of gasoline/diesel in the market. Therefore, information regarding revenue – expected revenue or revenue the government has already received – should be wide-spread. It is also necessary to clearly state where exactly this revenue is from, as revenue that the government has received or will receive is generally from issuing licenses, rental, taxes, shares, and royalties. The RGC could consistently and accurately disseminate information about revenues derived from oil, gas and mining in a disaggregated manner i.e. stating different sources of revenue, to maximize credibility. Furthermore, media and civil society groups, working within this sector, should disseminate reliable information about these revenues with accurate sources of information; thus, avoiding misunderstings by the public.

- The way in which revenue is managed should also be disseminated. It seems that learning from other countries' practices/examples may be the best way to manage EI revenue. Therefore, any information regarding a petroleum fund concept, and independent committees to manage revenue, should also be spread to SMEs and the general public; this would allow stakeholders to have enough information, before voting for one particular mechanism. It is noteworthy that when the concept of a Petroleum Fund was introduced to respondents, the majority of surveyed SMEs preferred this revenue management concept. Therefore, the RGC could potentially establish an independently-managed Cambodian Petroleum Fund and create an independent committee to oversee its activities.

- Benefits that SMEs may gain from EI and EI revenue should be a piece of information interesting to them. Possible impact, both negative and positive, that EI may have on their business and the country's economy should also be disseminated to the SMEs and the public. This would attract SMEs to be interested in the information, thus sharing their perceptions more precisely.

- It is highly recommended that public expectations of EI, and its revenue, be managed accordingly, especially where the expectations are not in line with reality i.e. decrease in price of gasoline/diesel and in inflation. Therefore, SMEs and the public should understand the possible impacts, not only in the short term but also in the long run; this should be included in any awareness-raising material among SMEs. It is recommended that the RGC develop a public service announcement to correct these perceptions and information to appropriately inform the Cambodian public.
- Last, based on the suggestions made by surveyed SMEs, on how to use potential EI revenue to benefit SMEs and the country, the RGC should commit to utilizing revenues derived from this sector to improve specific infrastructure in Cambodia, in addition to the current national development plan. the revenue should be used to create more and better-paying jobs (perhaps supported by a national training program to provide well-trained workers for EI companies in Cambodia), to increase demand in the market; and, to reduce the price of gasoline, and reduce taxes.

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Appendix I

Study Methodology

Both quantitative and qualitative methods were used to collect and analyse data. A questionnaire to collect quantitative and qualitative data was designed and used during field work. Qualitative data from questionnaires was then quantified during data analysis. Focus Group Discussions (FGDs) were conducted to collect qualitative data within the three (3) Cambodian provinces with the largest number of SMEs (i.e. Phnom Penh, Kampong Cham and Battambang).

Six (6) Research Assistants and twenty-five (25) Enumerators were recruited by EIC to conduct all interviews. Five (5) Research Assistants were responsible for leading one team of Enumerators within a group of provinces, based upon geographic proximity. One Research Assistant based in the Phnom Penh office was responsible for supervising the five groups and following up on the progress of field work. The Research Assistants were responsible for planning field activities and organizing all field staff in order to assure the quality of the data collection methods in the field. Additionally, one (1) Research Assistant in eachof the three provinces (e.g. Phnom Penh, Kampong Cham and Battambang) organized one (1) FGD in their respective working areas. Each FGD was moderated by two (2) EIC Researchers.

Questionnaires and FGD interview guides were designed by EIC Researchers, with close consultation with CRRT. Interviews were conducted using a structured questionnaire and FGDs were facilitated through the use of an interview guide. Through these methods and with the proposed team, it was possible to conduct all fieldwork activities – 548 interviews and three (3) FGDs – from 8-16 November, 2010.

Available documents related to EI and SMEs in Cambodia were reviewed to gain a better understanding of the topics. The Small and Medium Industries (SMI) Association of Cambodia was also approached, mainly for the list of their SMI members. However, the team could only receive the list of members in the city of Phnom Penh. Thus, appointments were made with SME owners / representatives through phone calls, to conduct interviews in Phnom Penh. Some interviews were also conducted without appointment, as the list did not contain enough members for the proposed sample in Phnom Penh, in addition to some SMEs which could not be contacted. In the provinces, mapping of the locations and identification of SMEs were conducted at least one day before the research team reached the study area, so surveys could be conducted right away. No appointments were made for the provinces. The mapping and identification was conducted by EIC representatives in each province.

The team first approached SME owners to ask permission to conduct an interview. In the case that SME owners could not be interviewed due to busy schedules, the team asked whether it would be possible to interview an appropriate representative at the management level.

1.1. Sampling

Sample for Quantitative Interview

According to the 'Technical Report: SME Statistics in Cambodia' by the SME Secretariat and SME Statistics Technical Working Group (2007), the definition of an SME varies from ministry to ministry as there is no legal definition of an SME in Cambodia. Therefore, an assumption was made for this study, which identifies SMEs as having 10 to 100 employees. The 'Nation-wide Establishment Listing of Cambodia 2009: National Report on Final Results' by the National Institute of Statistics, Ministry of Planning (2009) reported that the total number of SMEs in 2009, categorized as entities employing from 10 to 100 persons, was approximately 12.5 thousand. Given the time constraint, a target sample of approximately 548 SME owners/representatives were randomly selected for the survey, which represents 4.4% of the total population. However, it should be noted that in several provinces, SMEs employing from 10 to 100 persons were not many. Also, there was quite a high rejection rate when asking for permission to conduct interviews. Thus, taking the time constraint into account, SMEs with 5 to 10 employees were also included in the study so a sufficient sample could be achieved.

To cover this nation-wide study, 16 provinces were chosen for fieldwork. Provinces which contained less than 200 SMEs (according to the definition of an SME made for this study and the information provided in the Nation-wide Establishment Listing of Cambodia 2009) were not included within this study. Therefore, a few provinces which have EI exploration activities, such as Ratanak Kiri, Mondul Kiri and Preah Vihear, were not included as the number of SMEs in these provinces was less than 200. Although SMEs in these provinces may provide different answers from the respondents in this study, as they are living in exploration areas, this would not have a great effect on the study findings since these provinces would include no more than 5 respondents. For each province, 4.0% to 5.0% of the total number of SMEs was taken, in order to maintain a sampling error of 5.0% with a confidence level of 95.0%. Table A1.1 presents the sample size by province.

Table A1.1: Sample Size by Province

No	Provinces	% of SMEs compared to total SMEs(*)	Sample	%
1	Phnom Penh	25.0	157	28.7
2	Kampong Cham	10.0	62	11.3
3	Kandal	9.0	55	10.0
4	Battambang	8.0	51	9.3
5	Siem Reap	7.0	40	7.3
6	Banteaymeanchey	5.0	28	5.1
7	Takeo	5.0	28	5.1
8	Prey Veng	4.0	19	3.5
9	Kampot	4.0	22	4.0
10	Kampong Speu	3.0	15	2.7
11	Kampong Thom	3.0	16	2.9
12	Kampong Chhnang	3.0	17	3.1
13	Sihanouk Ville	3.0	15	2.7
14	Pursat	2.0	8	1.5
15	SvayRieng	2.0	8	1.5
16	Kratie	2.0	7	1.3
Total sample			**548**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

(*)NIS, Nation-wide Establishment Listing of Cambodia 2009: National Report on Final Results

Total sample of respondents were also classified by the economic sectors in which the SMEs are operating (see table below).

Table A1.2: Sample by Economic Sector

Type of SMEs		N	%
Manufacturing	Construction	18	3.3
	Food and beverage	37	6.8
	Rice milling	16	2.9
	Other manufacturing	110	20.1
	Sub Total	**181**	**33.0**
Service	Education	20	3.7
	Health	6	1.1
	Hotel	25	4.6
	Other services	254	46.4
	Sub Total	**305**	**55.7**
Trade	Wholesale and retail trade	62	11.3
	Sub Total	**62**	**11.3**
Total		**548**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Although the entire proposed sample was met, the response rate for certain questions was less than 100.0% for a number of reasons, including but not limited to: (1) a lack of knowledge by respondents and (2) information being deemed too sensitive for sharing, by the respondent. Accordingly, response rates were noted during data analysis and will be mentioned throughout the findings and analysis.

Sample for Focus Group Discussions (FGDs)

FGDs were conducted in three provinces where the density of SMEs is high, including: Battambang, Phnom Penh and Kampong Cham. The number of FGD attendees was expected to be from 8 to 12, which was achieved for each discussion. FGDs were also categorized by economic sector. No or few attendees from a particular sector does not necessarily mean that the sample for this sector was low in the province, but that the turn-up rate from this sector was low for this respective FGD. Also, high refusal rates to attend the FGDs, occurred for some sectors as well.

Table A1.3: Sample for FGDs

Sample for FGDs	Battambang		Phnom Penh		Kampong Cham		Total	
	N	%	N	%	N	%	N	%
Manufacturing	4	40.0	4	44.4	2	18.2	10	33.3
Service	6	60.0	0	0.0	8	72.7	14	46.7
Trade	0	0.0	5	55.6	1	9.1	6	20.0
Total	**10**	**100.0**	**9**	**100.0**	**11**	**100.0**	**30**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

1.2. Data Entry, Processing, Control and Analysis

To ensure the quality of data, several stages of data cleaning and quality control were conducted. First, in the field, team supervisors checked and verified the accuracy and the consistency of the questionnaires. In the case that questionnaires had some missing data or the information was inconsistent, phone interviews by Research Assistants were conducted to attain missing information or confirm information.

A training session of one daywas held before data entry. Second, while entering the data, Research Assistants checked for inaccuracies and inconsistencies, question by question. Questionnaires with errors of more than 50.0% were excluded from the study. A data entry template was designed on the most updated versions of CS Pro and MS Excel. CS Pro was used for close-ended questions and MS Excel was used for the open-ended questions and FGD interview summaries. After completing data entry with both software packages, all data was compiled and formatted into CS Pro, and then converted to Stata/SE for data analysis. Third, the data was last cleaned by the Project Team Leader and outliers were eliminated through scientific methodologies, with consultation with the Research Manager.

1.3. Limitations

While data collection was effective and on schedule, there were several constraints experienced throughout the study. First, there was a high rejection rate when asking permission for interviews, mostly in Phnom Penh and Kampong Cham. This required the research team to spend more days than expected during the interview process, as additional SME representatives needed to be located and interviewed in order to meet the proposed sample. Also, there is no contact list of SMEs located in each province (except Phnom Penh city), which made it difficult for the team to find an appropriate sample. Third, SMEs with more than 10 employees were found to be fewer than listed in the 'Nation-wide Establishment Listing of Cambodia 2009: National Report on Final Results'. Although several provinces such as Phnom Penh, Battambang, Siem Reap, Kampong Cham and Kandal had enough SMEs which matched the criterion (i.e. SMEs with 10 to 100 employees), the refusal rates in these provinces were high.

In order to assure the quality of the study, however, SMEs employing from 5 to 10 persons were then included. The teams in Phnom Penh and Kampong Cham received support from other teams which finished data collection earlier, in order to meet the proposed sample and ensure timely completion according to the working schedule. The questionnaire was also designed with everyday language and the terms used within the questionnaire were explained to interviewees, in order to ensure that they understood the questions being asked.

Appendix II

SME Profile

2.1. Respondents

From the 548 SMEs interviewed during fieldwork activities, survey respondents included SME owners or management-level employees; more specifically, the group of respondents included: owners (60.6%); presidents (0.9%); managers (28.1%); and accountants and administration (10.4%). It should be noted that presidents here refer to the general manager or presidents of the firms. Managers are those responsible for individual departments within their respective SMEs, which may include human resource managers, operations managers, marketing managers, administration / office managers, front managers, etc.

Table A2.1: Position of Respondents in the SMEs by Province

Provinces	SME owner		President		Manager		Accountant & Admin	
	N	%	N	%	N	%	N	%
Battambang	20	39.2	0	0.0	18	35.3	13	25.5
Kampong Cham	49	79.0	0	0.0	9	14.5	4	6.5
Kandal	36	65.5	0	0.0	12	21.8	7	12.7
Phnom Penh	79	50.3	1	0.6	57	36.3	20	12.7
Others	148	66.4	4	1.8	58	26.0	13	5.8
Total	332	60.6	5	0.9	154	28.1	57	10.4

Source:EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Throughout all provinces, a majority of respondents were male (60.8%). Female respondents from Battambang, Kandal and Phnom Penh represented more than 40.0%, while respondents Kampong Cham were highly dominated by male respondents (71.0%).

Table A2.2: Gender of Respondents by Province

Gender of respondents	Female		Male	
	N	%	N	%
Battambang	22	43.1	29	56.9
Kampong Cham	18	29.0	44	71.0
Kandal	23	41.8	32	58.2
Phnom Penh	63	40.1	94	59.9
Others	89	39.9	134	60.1
Total	**215**	**39.2**	**333**	**60.8**

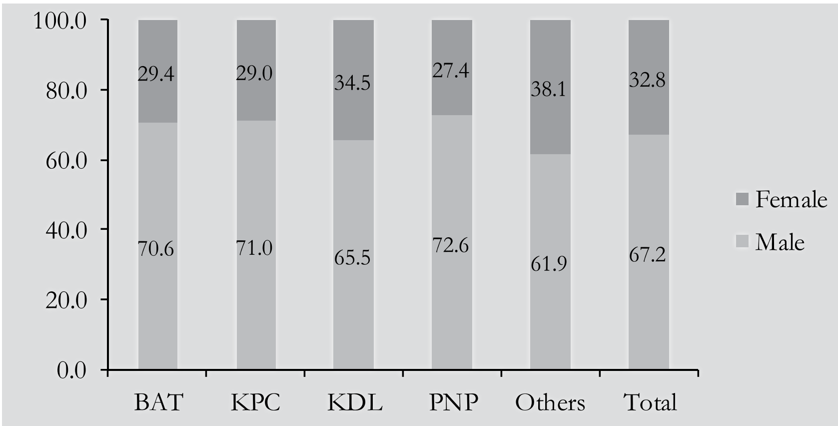
Source:EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Below illustrates business profiles of the SMEs included in the study. Information regarding some important elements of the SMEs may be used as a profile for these businesses, and has been provided and presented below.

2.2. Gender of SME Owners

The gender of SME owners is not the gender of the respondent, but that of the owner of the SME. In the case that the SME is a corporate firm, where Cambodians and foreigners have shares in the company, respondents were asked to provide the gender of the individual with the highest share. Among all interviewed respondents, the majority of SME owners were male, comprising 67.2% of the total SMEs included in the study.

Figure A2.2: Gender of SME Owners by Province (%)



Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

2.3. Nationality of SME Owners

Respondents were also asked to provide the nationality of SME owners who held the highest share, in the case that the SME was a corporate firm operated between Cambodian and foreign nationals. Of the 548 respondents, 96.9% claimed that the owner of the SME is a Cambodian. Chinese and 'Other' nationality shared the same percentage, with 0.9%. Vietnamese and Korean followed the rank with 0.7% and 0.4%, respectively. Notably, there was not much difference by province and by sector, when asked of the nationality of SME owners.

Table A2.3: Nationality of SME Owner

Nationality of SME owners	N	%
Cambodian	531	96.9
Vietnamese	4	0.7
Chinese	5	0.9
Korean	2	0.4
Taiwanese	1	0.2
Other	5	0.9
Total	**548**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

2.4. Shareholder

From the 548 interviewed SMEs, almost all (96.0%) are owned by Cambodians. A total ownership of the SME by foreigners represents 3.1% of the sample. Corporate firms, which are shared between Cambodian and foreign nationals,had the lowest percentage, at 0.9%.

Table A2.4: Shareholder

Shareholder	N	%
Cambodian	526	96.0
Foreigner	17	3.1
Corporate	5	0.9
Total	548	100.0

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

2.5. Years of Establishment

Respondents were then asked to provide the year the SME was established. Answers were divided into four categories, SMEs established before 1999 (more than 10 years), from 1999 to 2003 (6 to 10 years), from 2004 to 2007 (3 to 5 years) and after 2007 (less than 2 years).The percentage from one category to another did not vary much, and none held more than a 40.0% share of the answers provided by respondents. Among 544 respondents, 31.1% stated that their SMEs were established less than 2 years ago. This was followed by '3 to 5 years' (27.0%), 'More than 10 years' (22.8%) and '6 to 10 years' (19.1%).

Table A2.5: Year of Establishment

Year of establishing SMEs	N	%
More than 10 years	124	22.8
6- 10 years	104	19.1
3-5 years	147	27.0
Less than 2 years	169	31.1
Total	**544**	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

2.6. Total Assets, Excluding Land, in Order to Open and Operate the Business

Respondents were asked to provide information on the capital their SME needed to invest in order to open and operate the business. Capital was exclusive of land value. Only 84.0%

of respondents (460 out of 548) provided an answer to the question, as some respondents may deem this information too sensitive and confidential to reveal. Among 460 interviewees, 19.8% started their business with US$20,001 to US$50,000. The lowest proportion of SMEs (6.1%) started their business with capital investments ranging from US$70,001 to US$100,000. Interestingly, SMEs operating in the trade sector had the highest proportion (30.6%) to havea starting capital of more than US$100,000, while SMEs in the service sector held the highest proportion (25.1%) to start their business with capital investments of US$5,001 to US$10,000. Additionally, most SMEs in Kandal province (51.2%) had capital investments of less than US$5,000.

Table A2.6: Capital to Open and Operate SME (Excluding Land)

Capital	N	%
Less than $5000	68	14.8
From US$5,001 to US$10,000	85	18.5
From US$10,001 to US$20,000	82	17.8
From US$20,001 to US$50,000	91	**19.8**
From US$50,001 to US$70,000	39	8.5
From US$70,001 to US$100,000	28	6.1
More than $100,000	67	14.6
Total	460	**100.0**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

2.7. Employment

Among the sample, the number of employees recruited by SMEs were also taken into account and presented below. As aforementioned, this study's definition of an SME is an entity employing 10 to 100 persons. However, as there were difficulties finding SMEs with enough employees in most of the provinces, and as there was a high rejection rate from SMEs employing 11 to 100 persons, SMEs with 5 to 10 employees were also included in the study sample. In total, SMEs employing 5 to 10 persons and those employing 11 to 50 persons had similar proportions, in which SMEs employing 5 to 10 persons had a slightly higher proportions than those employing 11 to 50 individuals (49.5% vs. 47.5%). More respondents in Kampong Cham and Phnom Penh, however, own/work for SMEs of 11 to 50 employees, than SMEs of 5 to 10 employees (i.e. 58.1% vs. 38.7% in Kampong Cham and 49.7% vs. 46.5% in Phnom Penh, respectively). Of the 548 respondents, 17 (3.1%) belong to SMEs with 51 to 100 employees, of which 6 are in Phnom Penh.

Table A2.7: Number of Employees by Province

Number of employees	From 5 to 10 employees		From 11 to 50 employees		From 51 to 100 employees	
	N	%	N	%	N	%
Battambang	26	51.0	24	47.1	1	2.0
Kampong Cham	24	38.7	36	58.1	2	3.2
Kandal	43	78.2	12	21.8	0	0.0
Phnom Penh	73	46.5	78	49.7	6	3.8
Others	105	47.1	110	49.3	8	3.6
Total	**271**	**49.5**	**260**	**47.5**	**17**	**3.1**

Source: EIC, Survey with SMEs on the Perception of EI in Cambodia, February 2011

Appendix III

Survey Questionnaire

Questionnaire code:……….......

Perspective Survey Questionnaire

Economic Institute of Cambodia (EIC) in cooperation with Cambodia for Resource Revenue Transparency (CRRT) is conducting an opinion-based study on Small and Medium Enterprise (SME) owners / representatives on whether they believe new resource revenues entering the Cambodian economy, from crude oil/natural gas/mining, would be beneficial or harmful to their business, as well as the overall business environment and the general population. Please help answer the following questions. The information given is strictly kept confidential and your identity is not identified.

Interviewer

1. Interviewer name:	**2.** ID:
3. Interview Date:	**4.** Signature:
5. Phone contact:	
6. Start time:	**7.** End time:
8. Checked By:	**9.** ID:
10. Checked date:	**11.** Signature:

Interviewee

12. Interviewee name:			
13. Sex:	**1.** Female	**2.** Male	
14. Phone contact:			
15. E-mail:			
16. Position:	SME owner	1	
	Manager	2	
	President	3	
		4	
17. Address: N°: St. Village: Commune: District: Province:			

SECTION 1: SME PROFILE AND BUSINESS

I. SME Profile

1.	Number of employees
1	Less than 5 (Stop the interview)
2	From 5 to 10 employees
3	From 11 to 50 employees
4	From 51 to 100 employees
5	More than 100 (Stop the interview)

2. Name of the SME**:** ....

3. Year of Establishment	Year: ....

4. Gender (SME owner)	
Male	1
Female	2

5.	Nationality of SME owner
1	Cambodian
2	Vietnamese
3	Chinese
4	Korean
5	Taiwanese
6	Others: ....

6.	Type of SMEs
1	Education
2	Health
3	Construction
4	Manufacturing of foods, beverages, tobacco
5	Other manufacturing (besides food, beverages, tobacco)
6	Rice-milling
7	Transportation
8	Accommodation
9	Service (restaurant, tour companies, bank/micro finance institute...)
10	Others: ....

7.	How much capital did you need to operate your business (excluding land)? (if possible and applicable)
1	Less than US$5,000
2	From US$5,001 to US$10,000
3	From US$10,001 to US$20,000
4	From US$20,001 to US$50,000
5	From US$50,001 to US$70,000
6	From US$70,001 to US$100,000
7	More than US$100,000

8.	Shareholder
1	Cambodian
2	Foreigner
3	State-owned
4	Corporate: Cambodia (%): ………….. Foreign (%): ………….. State (%): …………….

II. Situation of SMEs and Their Business Prospects in the Next Five Years

9. How is your business progress currently, compared to last 5 years? Please rate from 1 to 5 and tell us why you give a particular rate.

Worse	Bad	The Same	Better	Much better
1	2	3	4	5

Why a particular rate?
……………………………………………………………………………………………………….........…...
……………………………………………………………………………………………………….........…...
……………………………………………………………………………………………………….........…...

10. How would you rate the outlook of your business growth in the next five years? Please rate from 1 to 5 and tell us why you give a particular rate.

Close	Downturn	Stable	Growth	Strong growth
1	2	3	4	5

Why a particular rate?
……………………………………………………………………………………………………….........…...
……………………………………………………………………………………………………….........…...
……………………………………………………………………………………………………….........…...

11. What do you think are the external factors contributing to the business success of your SME? And why? (Please list 3 most important)

No.	Factors contributing	Reasons
1		
2		
3		

12. What do you think are the external factors impeding the business success of your SME? And why? (Please list 3 most important)

No.	Factors impeding	Reasons
1		
2		
3		

For Q11 and Q12 external factors contributing and impeding can be:

- Politics
- Economic
- Citizens' education and skill
- Social security
- Labor regulations and other regulations
- Infrastructure
- Tax
- Public health
- Bureaucracy / Corruption
- Others

SECTION 2: AWARENESS AND VIEW TOWARD CURRENT EI (CRUDE OIL, NATURAL GAS AND MINING) DEVELOPMENT

Note: Please explain the following to the interviewee before asking them below questions Crude oil, natural gas and mining industries in this study refer to crude oil/gas/mining which is to be extracted under the land, and not oil and gas which is sold on the market.

III. SME Awareness of EI (Crude Oil, Natural Gas and Mining) in Cambodia;

13. Have you heard of the following…	1 = Yes *(if yes, go to **13A**)* 0 = No *(if no, go to **13B**)*
a. Crude oil industry development in Cambodia?	
b. Natural gas industry development in Cambodia?	
c. Mining industry development in Cambodia?	
d. Extractive Industries development in Cambodia?	

13.A. If yes to either industry, how much are you familiar with each industry? (1=Very less familiar, 2=Less familiar, 3=Average, 4=Familiar and 5=Very familiar)

Components of EI	13A.1. To what extent? (1 to 5)	13A.2. What do you know?	3. From which sources?
Crude oil			
Natural Gas			
Mining			

Note: *If the level of familiarity is the same for each industry, please skip **Q14**.*

13.B. if no to either industry,

Components of EI	13B.1. Do you want to know? (1=Yes, 0=No)	13B.2. What do you want to know? 1=How to issue or get license 2=Revenue management 3=Crude oil exploration 4=Potential revenue 5=Beneficiary 6=Other………………….	13B.3. Why do you want to know? 1=Own interest 2=Business related 3=Other……..
a. Crude oil			
b. Natural Gas			
c. Mining			

Note: *if the respondent says "No" to Q. 13 (a to d), move on to* **SECTION 3B** *(page 18).*

14. Why do you know of one component or two better than the others? (More than 1 answer possible)	
1	Own interest
2	Frequent dissemination through media
3	Business related
4	Others: …………………………………………….

		Crude oil & natural gas	Mining
15. Do you think the govern-ment has ob-tained revenue from …… yet?	1. Yes with some amount *(go to* ***Q15A****)* 2. No but will receive later *(go to* ***Q15B****)* 3. No, do not receive any *(move to* ***Q16****)* 99. Don't know (go to Q15C)		
15A.Has received some amount	15A.1. How much in average per year in USD?Or Don't Know=99		
	15A.2. From which sources?		
15B.No but will receive later	15B.1. How much in average per year in USD?Or Don't Know=99		
	15B.2. From which sources?		
15C.Don't Know	15C.1**.** Do you want to know? 1=Yes, 0=No		
	15C.2.Why?		

16. Name organizations or institutions or companies whose work is related to crude oil, natural gas and mining and that you know and their activities (in relation to crude oil, natural gas and mining)

	1. Institutes, organiza-tions or companies	2. Sector (1=Crude oil, 2=Gas and 3=Mining)	3. Current activities
a.			
b.			
c.			
d.			
e.			
f.			

17. Have you been involved in any activities to learn more about crude oil, natural gas and mining?	
Yes (go to 17A-17D and skip 17E)	1
No (go to 17E)	0

17A. If yes, what are those activities?	
Conference, workshop, seminar or training related to awareness on crude oil, natural gas and mining development	1
Advocacy campaign	2
Others: ……………………………………………………….	3

17B. If yes, why have you been involved?	
Own interest	1
Business related	2
Other: ………………………………..	3

17C. If yes, what are the benefits of involving?
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………

17D. Would you recommend others to get involved? Why and why not?	
Yes	1
No	0
Why? ……………………………………………………………………………………………………… ……………………………………………………………………………………………………… ………………………………………………………………………………………………………	

17E. If no, do you want to get involved in any activities to know more about crude oil, natural gas and mining?	
Yes	1
No	0
Why? ……………………………………………………………………………………………………… ……………………………………………………………………………………………………… ………………………………………………………………………………………………………	

18. Is energy sector one of the priority sectors of the government of Cambodia?	
Yes	1
No	0
Don't know	99

19. Suggestion to improve awareness of crude oil, natural gas and mining among SMEs:

………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
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………………………………………………………………………………………………………...

IV. SME Views toward Current Crude Oil, Natural Gas and Mining Development

Note: Please read this to the interviewee before asking them below questions.

When a resource rich country has decided to allow extraction in a particular area, they must select which companies are going to operate in that area. After selecting companies and before the companies start extracting a resource, they have to make an agreement with the government outlining the rights and obligations of each party and benefit sharing. Please answer the following questions on what you think of these processes.

20. Do you know about the process of open blocks or areas for bidding?	
Yes (go to Q20A)	1
No and why? (Then move to Q21) ……………………………………………………..… ………………………………………………………………………………………..... ..…………………………………..……………………………………………….… ……………………………………..………………………………………...……. ……………………………………..…………………………………………...…... .. ……………………………………..……………………………………...….... . ……………………………………..…………………………………….....…...... ……………………………………..…………………………………………...….....	0

20A. If yes, please rate from 1 to 5 (1=very bad, 2=bad, 3=average, 4=good and 5=very good) or 99=Don't Know.

20A.1. To what extent? (1 to 5 or 99)		20A.2. Why?
a. Fair		
b. Transparent		
c. Accountable		
d. Participatory		
e. Other: ……………...		

21. Do you know the government's process of selecting the company to extract crude oil, natural gas and mining resources?	
Yes (go to Q21A)	1
No and why? (Then move to Q22) ………………………………….……………………… ……………………………...... …………………………………….……………………… ……………………………...... …………………………………….……………………… ……………………………...... …………………………………….……………………… ……………………………...... …………………………………….……………………… ……………………………...... …………………………………….………………………	0

21A. If yes, please rate from 1 to 5 (1=very bad, 2=bad, 3=average, 4=good and 5=very good) or 99=Don't Know.

21A.1. To what extent? (1 to 5 or 99)		21A.2. Why?
a. Fair		
b. Transparent		
c. Accountable		
d. Participatory		
e. Other: ……………....		

22. After being selected and receiving license, do you know the overall activities of licensed companies?	
Yes (go to Q22A)	1
No and why? (Then move to Q24 in Section 3A) …………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… …………………………………………………………………………………………	0

22A. If yes, please rate from 1 to 5 (1=very bad, 2=bad, 3=average, 4=good and 5=very good) or 99=Don't Know.

22A.1. To what extent? (1 to 5 or 99)		22.A.2. Why?
a. Progress		
b. Transparent		
c. Accountable		
d. Responsible to other stakeholders		
e. Participatory (update with government)		
f. Others:………………..…		

23. Please list any licensed companies that you know and the companies' progress Please rate from 1 to 5 (1=inactive, 2=less active, 3=average, 4=active and 5=very active).

No.	Name of licensed companies	Progress (1 to 5) or 99 Don't Know
1		
2		
3		
4		
5		

SECTION 3A: IMPACT OF CRUDE OIL, NATURAL GAS AND MINING ON SME BUSINESS AND PEOPLE

V. SME Understanding and Views toward Impact of Crude Oil, Natural Gas and Mining Development on Their Business, Overall Business Climate, and General Population

24. Among crude oil, natural gas and mining industries, what is the most important industry for your business? And why?	
Crude oil	1
Natural Gas	2
Mining	3
Non above	4
Don't know	99
Why?………………………………………………………………………………………………………	

25. Impact of crude oil, natural gas and mining development, please rate from 1 to 5 (1=very low, 2=low, 3=average, 4=high and 5=very high).

Do you think that crude oil, natural gas and mining industries may have impact on the following?	**25A.** Yes or no?	**25B.** If yes, to what extent?		**25C**. If negative, why?	**25D.** If positive, why?
	1. Yes 0. No (move to the next point)	Negative (1 to 5)	Positive (1 to 5)		
a. On your business					
b. On overall business climate					
c. On general population					
d. On environment					
e. Others:…………..					

26. If the government receives great amount of revenue from crude oil, natural gas and mining industries, do you think that the revenue from these industries may have impact on the following? If yes to anything, to what extent? (1=very low, 2=low, 3=average, 4=high and 5=very high) why?

Possible impact which may have on...	**26A.** May have impact or not?	**26B.** If yes, to what extent?		**26C.** Why do you think so?
	1=Yes; 0=No; 99=Don't Know then move to the next point	Increase (1 to 5)	Decrease (1 to 5)	
a. Price of oil & gas (petroleum, diesel)				
b. National revenue				
c. Local employment				
d. Other sectors				
e. Government administrative and fiscal effectiveness				
f. Inflation rate				
g. Poverty				
h. Gap between the rich and the poor				
i. Corruption				
j. Others: …………				

27. If Cambodia obtains the revenue from crude oil, natural gas and mining, do you think that the government is able to manage the revenue well?	
Yes (continue to Q27A)	1
No and why? (Then move to Q28) …………………………………………………………………… …………………………………………………………………………………………… …………………………………………………………………………………………… …………………………………………………………………………………………… …………………………………………………………………………………………… …………………………………………………………………………………………… …………………………………………………………………………………………… …………………………………………………………………………………………	0
Don't know (move to Q28)	99

27A. If you think the government is able to manage, please rate from 1 to 5 on to what extent do you think the government is able to manage (1=very bad, 2=bad, 3=average, 4=good and 5=very good; 99 if 'Don't know') and why do you think so:

	27A.1. Rate • 1 to 5 or • 99 Don't know then move to the next point	**27A.2.** Why?
a. Transparent		
b. Accountable		
c. Effective		
d. Participatory		
e. Others:…………….		

28. In your opinion, what will the government do with crude oil, natural gas and mining potential revenue?

…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………
………………………………………………………………………………………………

VI. Suggestions and Recommendations

29.	What do you think Cambodia needs to have to be able to foster the development of crude oil, natural gas and mining? (More than 1 answer possible)
1	Local human resource / experts
2	Transparency of every process of crude oil, natural gas and mining development
3	Good governance
4	Good crude oil, natural gas and mining policy frameworks
5	Administrative and fiscal effectiveness
6	Reduction of Corruption and bureaucracy
7	Technical and financial aid
8	Foreign investment
9	Others: …………………………………………………………………………..

30. Do you have any suggestions and recommendations to current crude oil, natural gas and mining development?	
Yes	1
No (next question)	0
If yes, please explain? ……...…………………………………………………………… ……………………………………………………………………………………………... ……………………………………………………………………………………………...	

31.	What do you think Cambodia needs to have to be able to use the potential revenue from crude oil, natural gas and mining effectively? (More than 1 answer possible)
1	Good governance
2	Transparency of revenue management
3	Good policy framework
4	Administrative and fiscal effectiveness
5	Reduction of Corruption and bureaucracy
6	Participation by civil society in creation and administration of governing laws
7	Others: …………………………………………………………………………..

32. If the government receives great amount of revenue from crude oil, natural gas and mining, do you think the government should:

- Spend all because Cambodia is in need of development at the moment

Or

- Spend some and save some for the future when revenue from crude oil, natural gas and mining drops down and for the next generations?

Why?

Spend all right now	1
Spend some and save some	2
Don't know (move to next question)	99
Why? ……………………………………………………………………………… ………………..……………………………………………………………… ………………………………..……………………………………………… …………………………………………………..….…………………………… …………………………………………………………………………..…..…… ……………………………………………………………………………… …………..…..…………………………………………………………………… ………………………………..…..…………………………………………… ……………………………………………………..…..………………………	

33. Do you think the government should establish an independent committee to manage the large potential revenue from crude oil, natural gas and mining?	
Yes	1
No	0
Don't know *(move to next questions)*	99
Why? …………………………………………………………………………………………….. …..…………………………………………………………………………………… …..…..…………………………………………………………………………………… ……..…..…………………………………………………………………………………… ………..…..…………………………………………………………………………………… …………..…..………………………………………………………………………………… ……………..…..………………………………………………………………………………… ………………..…..…………………………………..…………………………………………	

34. With the potential revenue from crude oil, gas and mining, what sectors do you think should be the government's priority sectors in order to benefit …?	**34.1.** Your business	**34.2.** Overall business climate	**34.3.** General population
	(Please choose only 3 sectors for each)		
1. Agriculture			
2. Industry			
3. Agri-business			
4. Service			
5. Tourism			
6. Transportation			
7. Telecommunication			
8. Energy			
9. Education			
10. Public Health			
11. Rural development			
12. Others: ……………………..			

35. Do you have any suggestions and recommendations on how to use revenue from crude oil, natural gas and mining for the benefit of your business?	
Yes	1
No (next question)	0
If yes, please explain? ……………………………………………………………………..………… …………………………………………………………………………...………………………… …… …… ……..……………………………………………………………………………………………… ……...………………………………………………………………………………………………	

36. Do you have any suggestions and recommendations on how to use revenue from crude oil, natural gas and mining for the overall benefits of overall business climate?	
Yes	1
No (next question)	0
If yes, please explain? ……………………………………………………………………..………… …………………………………………………………………………...………………………… …… …… ……..……………………………………………………………………………………………… ……...………………………………………………………………………………………………	

37. Do you have any suggestions and recommendations on how to use revenue from crude oil, natural gas and mining for the overall benefits of general population?	
Yes	1
No (next question)	0
If yes, please explain? ……………………………………………………………………..………… …………………………………………………………………………...………………………… …… …… ……..……………………………………………………………………………………………… ……...……………………………………………………………………………………………… **Thank you!** **END OF THE INTERVIEW**	

SECTION 3B: IMPACT OF crude oil, natural gas and mining ON SME BUSINESS AND PEOPLE (For the respondent who don't know about crude oil, natural gas and mining)

Please read the following to them before continue with the questions:

"Extractive Industries are composed of crude oil, natural gas and mining. Revenues from Cambodia's crude oil, natural gas and mining extraction could be significant (could double the national budget.) There are several companies working in EI in Cambodia. Please answer the following questions to let us know your opinions on the impact EI and its potential revenue could have on your business, the business climate in general and the Cambodian population as well as how EI's potential revenue should be used to benefit Cambodia."

38. If Cambodia obtains the revenue from crude oil, natural gas and mining, do you think that the government is able to manage the revenue well?	
Yes (continue to Q38A)	1
No and why? (Then move to Q39) …………………………………………………………… …………………………………………………………………………………………… …………………………………………………………………………………………… …………………………………………………………………………………………… …………………………………………………………………………………………… ………………………………………………………………………………………………	0
Don't know (move to Q39)	99

38A. If you think the government is able to manage, please rate from 1 to 5 on to what extent do you think the government is able to manage (1=very bad, 2=bad, 3=average, 4=good and 5=very good; 99 if 'Don't know') and why do you think so:

	38A.1. Rate • 1 to 5 or • 99 Don't know *then move to the next point*	**38A.2.** Why?
a. Transparent		
b. Accountable		
c. Effective		
d. Participatory		
e. Others:…………….		

39. In your opinion, what will the government do with crude oil, natural gas and mining potential revenue?

………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………

40. Impact of crude oil, natural gas and mining development, please rate from 1 to 5 (1=very low, 2=low, 3=average, 4=high and 5=very high).

Do you think that crude oil, natural gas and mining industries may have impact on the following?	**40A.** Yes or no?	**40B.** If yes, to what extent?		**40C.** If negative, why?	**40D.** If positive, why?
	1. Yes 0. No (move to the next point)	Negative (1 to 5)	Positive (1 to 5)		
a. On your business					
b. On overall business climate					
c. On general population					
d. On environment					
e. Others:…………..					

41. If the government receives great amount of revenue from crude oil, natural gas and mining industries, do you think that the revenue from these industries may have impact on the following? If yes to anything, to what extent? (1=very low, 2=low, 3=average, 4=high and 5=very high) why?

Possible impact which may have on...	**41A.May have impact or not?**	**41B. If yes, to what extent?**		**41C.Why do you think so?**
	1=Yes; **0=No;** **99=Don't Know** *then move to the next point*	**Increase (1 to 5)**	**Decrease (1 to 5)**	
a. Price of oil & gas (petroleum, diesel)				
b. National revenue				
c. Local employment				
d. Other sectors				
e. Government administrative and fiscal effectiveness				
f. Inflation rate				
g. Poverty				
h. Gap between the rich and the poor				
i. Corruption				
j. Others: …………				

42.	What do you think Cambodia needs to have to be able to use the potential revenue from crude oil, natural gas and mining effectively? (More than 1 answer possible)
1	Good governance
2	Transparency of revenue management
3	Good policy framework
4	Administrative and fiscal effectiveness
5	Reduction of Corruption and bureaucracy
6	Participation by civil society in creation and administration of governing laws
7	Others: ………………………………………………………………………..

43. If the government receives great amount of revenue from crude oil, natural gas and mining, do you think the government should:

Spend all because Cambodia is in need of development at the moment

Or

Spend some and save some for the future when revenue from crude oil, natural gas and mining drop down and for the next generations?

Why?

Spend all right now	1
Spend some and save some	2
Don't know *(move to next question)*	99
Why? ………………………………………………………………………………… ………..………………………………………………………………………… …………………..…..…………………………………………………………… ……………………………..…..……………………………………………………	

44. Do you think the government should establish an independent committee to manage the large potential revenue from crude oil, natural gas and mining?	
Yes	1
No	0
Don't know *(move to next questions)*	99
Why? ……………………………………………………………………………………………..………… .…………………………………………………………………………………………..…..…… ……………………………………………………………………………………..…..………… …………………………………………………………………………………..…..…………………	

45. With the potential revenue from crude oil, gas and mining, what sectors do you think should be the government's priority sectors in order to benefit …?	**45.1.** Your business	**45.2.** Overall business climate	**45.3.** General population
	(Please choose only 3 sectors for each)		
1. Agriculture			
2. Industry			
3. Agri-business			
4. Service			
5. Tourism			
6. Transportation			
7. Telecommunication			
8. Energy			
9. Education			
10. Public Health			
11. Rural development			
12. Others: ………..			

46. Do you have any suggestions and recommendations on how to use revenue from crude oil, natural gas and mining for the benefit of your business?	
Yes	1
No (next question)	0
If yes, please explain? ……………………………………………………………………	

47. Do you have any suggestions and recommendations on how to use revenue from crude oil, natural gas and mining for the overall benefits of overall business climate?	
Yes	1
No (next question)	0
If yes, please explain? ……………………………………………………………………	

48. Do you have any suggestions and recommendations on how to use revenue from crude oil, natural gas and mining for the overall benefits of general population?	
Yes	1
No (next question)	0
If yes, please explain? ……………………………………………………………………	

Thank you!

END OF THE INTERVIEW

Guiding Questions for Focus Group Discussions

1. What are the factors you think have contributed/impeded the smooth operation and success of your SMEs?
2. What have you known about EI? Which is the major source of information you have heard from?
3. What have you known about potential revenue from EI? How much has the government received so far? From which source has the information leaked out?
4. How much do you trust the information? Why?
5. What are the processes of EI development? How are those processes?
6. How much have you heard / known / involved in each process? Why?
7. What do you think of the process of extracting these resources? Will they impact your business? General population?
8. If the government receives large amount of revenue from EI, what impact do you think will have on Cambodia, thus your business? Negative or positive? In a short or long run?
9. How do you think the government should manage the potential revenue in order to positively impact your business and general population?
10. What do you think government should do with the large potential revenue? Should the government spend all or keep some in the future and for the next generations? Why?
11. Do you think there should be an independent committee to manage the potential revenue from EI? Why and why not?
12. Overall suggestions on how to use EI's potential revenue effectively in order to benefit your business and general population.

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